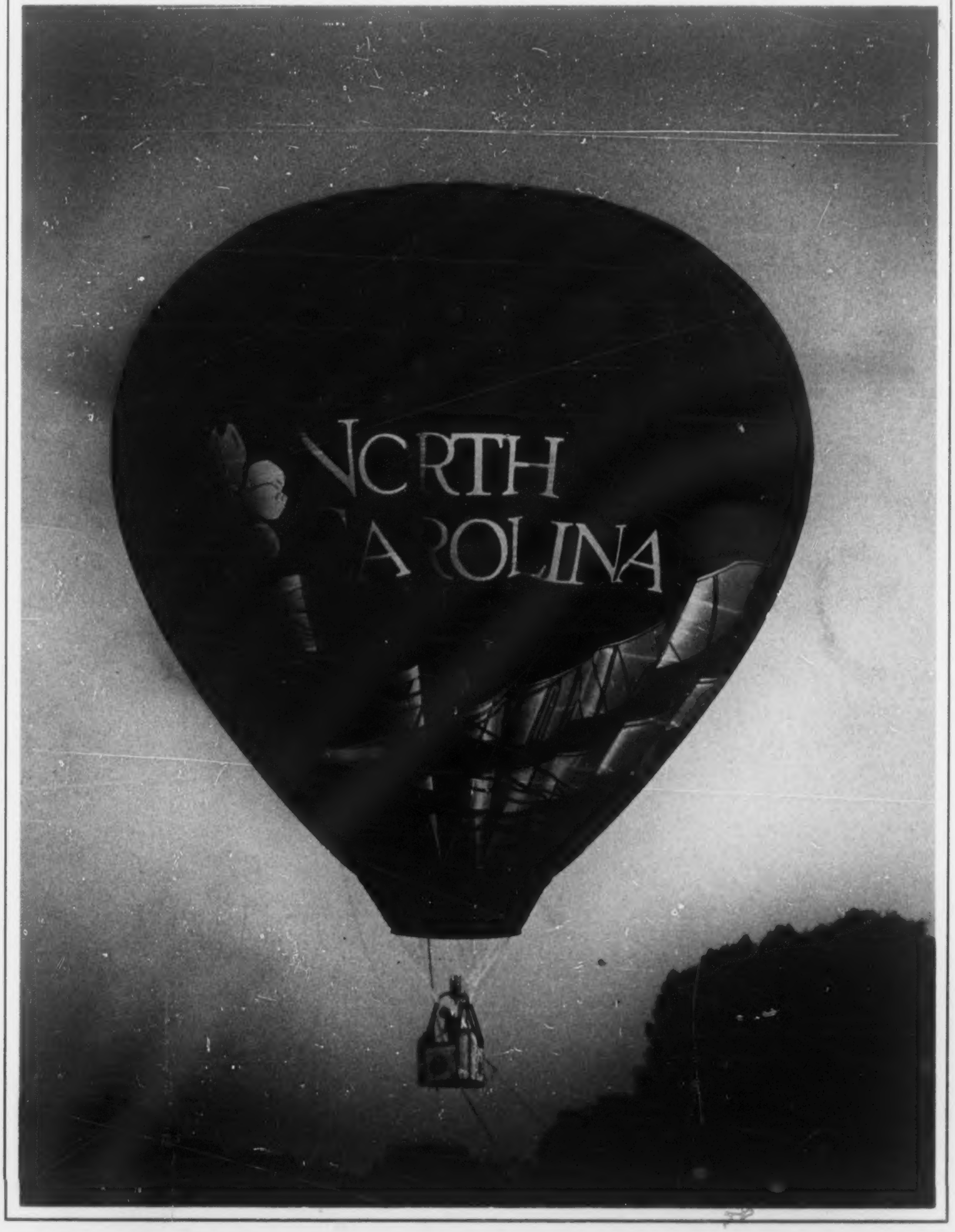
A Comprehensive Annual Financial Report for the year ended June 30, 1989

NORTH CAROLINA


NORTH
CAROLINA

Cover Photo: *The Spirit of Kitty Hawk* was proclaimed the Official Balloon of the State of North Carolina on June 27, 1988 by Governor James G. Martin.

The balloon is used as a diplomatic tool, representing the State as an airborne goodwill ambassador at major functions throughout the country. It has also served as centerpiece for special events of worthy charitable and educational organizations.

The Spirit of Kitty Hawk was designed and built in North Carolina by North Carolina craftsmen. The balloon and its operations are funded, without State support, through private contributions of North Carolina citizens and corporations to a non-profit organization called The North Carolina Balloon Committee, 301 North Blount Street, Raleigh, N.C. 27601.

Additional copies of this document may be obtained from the Office of the State Controller, 200 W. Jones Street, Raleigh, North Carolina 27603. As required for disclosure by G.S. 143-170.1, 800 copies of this public document were printed at a cost of $8,500, or $10.625 per copy.

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State of North Carolina

A COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 1989

James G. Martin
Governor

Fred W. Talton, CPA
State Controller

Prepared By: Office of the State Controller
State Accounting System Division
Financial Reporting Section

JAMES G. MARTIN
Governor

STATE OF NORTH CAROLINA
OFFICE OF THE GOVERNOR
RALEIGH 27603-8001

JAMES G. MARTIN
GOVERNOR

To the Members of the General Assembly and
the Citizens of North Carolina:

On behalf of all our North Carolina citizens, I am pleased to accept this Comprehensive Annual Financial Report of operations for the fiscal year ended June 30, 1989. Included are the state's independently audited General Purpose Financial Statements, prepared according to generally accepted accounting principles. This report is presented to you and the financial community so that you will understand North Carolina's financial condition more clearly.

North Carolina enjoys a bright economic outlook. Our business and industrial climate continues to be rated among the best in the nation. Our unemployment rate is consistently below national levels. Economic development is providing our state with a diversified economic base.

We have also embarked on a major highway expansion program that will pave the road to progress well into the 21st century. Because education is so crucial to North Carolina's future, the state is dedicated to providing an educational system that is among the finest in the nation.

North Carolina has long been considered a national leader in the financial stability of its state and local governments. We will continue to emphasize prudent and responsible financial management while meeting the needs of our citizens effectively and compassionately.

Sincerely,

Jim Martin

James G. Martin

TABLE OF CONTENTS

INTRODUCTORY SECTION 7

Letter of Transmittal 8
Organizational Chart of North Carolina State Government 18

FINANCIAL SECTION 25

REPORT OF INDEPENDENT AUDITOR

Report of Independent Auditor 26

GENERAL PURPOSE FINANCIAL STATEMENTS 29

Combined Balance Sheet - All Fund Types and Account Groups 30
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds 32
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - General and Special Revenue Funds 34
Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Fund Types and Similar Trust Funds 36
Combined Statement of Changes in Financial Position - All Proprietary Fund Types and Similar Trust Funds 38
Combined Statement of Changes in Fund Equity - All University Fund Types 40
Statement of Current Funds Revenues, Expenditures and Transfers - All University Current Funds 41
Notes to the Financial Statements 43

REQUIRED SUPPLEMENTARY INFORMATION

Analysis of Funding Progress - All Pension Trust Funds 73
Schedule of Revenues by Source and Expenses by Type - All Pension Trust Funds 74

COMBINING, INDIVIDUAL FUND AND ACCOUNT GROUP STATEMENTS AND SCHEDULES 79

GENERAL FUND 80

Comparative Balance Sheets 81
Comparative Statements of Revenues, Expenditures and Changes in Fund Balance 82
Comparative Schedules of Revenues by Source 83
Schedule of Expenditures by Function and Department 84
Comparative Schedules of Expenditures by Object 86

SPECIAL REVENUE FUNDS 87

Combining Balance Sheet 88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 90
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - Budgeted Special Revenue Funds 92
Comparative Schedules of Expenditures by Object - Highway Fund 94
Combining Balance Sheet - Special Revenue Bond Funds 95
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Bond Funds 96

TABLE OF CONTENTS (CONTINUED)

DEBT SERVICE FUNDS 97
Combining Balance Sheet 98
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 99

CAPITAL PROJECTS FUNDS 100
Combining Balance Sheet 101
Combining Statement of Revenues, Expenditures and Changes in Fund Balance 102

ENTERPRISE FUNDS 103
Combining Balance Sheet 104
Combining Statement of Revenues, Expenses and Changes in Fund Equity 108
Combining Statement of Changes in Financial Position 110

INTERNAL SERVICE FUNDS 113
Combining Balance Sheet 114
Combining Statement of Revenues, Expenses and Changes in Fund Equity 118
Combining Statement of Changes in Financial Position 120

TRUST AND AGENCY FUNDS 123
Combining Balance Sheet - Trust and Agency Funds 124
Combining Balance Sheet - Expendable Trust Funds 126
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Expendable Trust Funds 128
Combining Balance Sheet - Nonexpendable Trust Funds 130
Combining Statement of Revenues, Expenses and Changes in Fund Balances - Nonexpendable Trust Funds 132
Combining Statement of Changes in Financial Position - Nonexpendable Trust Funds 134
Combining Balance Sheet - Pension Trust Funds 136
Combining Statement of Revenues, Expenses and Changes in Fund Balances - Pension Trust Funds 138
Combining Statement of Changes in Financial Position - Pension Trust Funds 140

GENERAL FIXED ASSETS ACCOUNT GROUP 143
Schedule of General Fixed Assets By Function 144
Schedule of Changes in General Fixed Assets By Function 145

GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP 146
Comparative Statements of General Long-Term Obligations 147
Schedule of General Obligation Bonds Payable 148

UNIVERSITY FUNDS 150
Combining Balance Sheet - All University Funds 151
Combining Balance Sheet - All University Current Funds 152
Combining Statement of Changes in Fund Equity - All University Current Funds 153
Combining Balance Sheet - All University Fiduciary Funds 154
Combining Statement of Changes in Fund Equity - All University Fiduciary Funds 155
Combining Balance Sheet - All University Plant Funds 156
Combining Statement of Changes in Fund Equity - All University Plant Funds 157

TABLE OF CONTENTS (CONTINUED)

STATISTICAL SECTION 159

Revenues, Expenditures, and Changes in Fund Balances (Budgetary Basis) - All Budgeted Funds 160
Revenues by Source (Budgetary Basis) - General Fund 162
Expenditures by Function and Object (Budgetary Basis) - General Fund 164
Graphs of General Fund Revenues and Expenditures (Budgetary Basis) 166
Graphs of Highway Fund Revenues and Expenditures (Budgetary Basis) 167
Revenues by Source (Budgetary Basis) - Highway Fund 168
Expenditures by Function (Budgetary Basis) - Highway Fund 170
Total Number of State Government Permanent Positions Funded in the State Budget by Agency 172
Computation of Legal Debt Limit 173
General Obligation Bonds Debt Ratios 174
Revenue Bond Coverage 175
Assessed Value of Real Property, Tangible Personal Property and Public Service Companies 176
Schedule of Bank and Savings and Loan Deposits of Institutions Located in North Carolina 177
Cash Receipts from Farming by Commodities 178
Major Private Employers 179
Ten Largest Non-Agricultural Industries by Number of Employees 180
Schedule of Miscellaneous Statistics 181
Schedule of Demographic Data 182
Analysis of Revenues and Expenditures (Budgetary Basis) - All Budgeted Funds - Adjusted for Inflation 184

INTRODUCTORY SECTION

Index

Letter of Transmittal 8

Graphs of General Government Revenues and Expenditures 16

Organizational Chart of North Carolina State Government 18

State of North Carolina
Office of the State Controller

The Honorable James G. Martin
Governor of the State of North Carolina

It is our pleasure to furnish you with the 1989 Comprehensive Annual Financial Report (CAFR) of the State of North Carolina in compliance with G.S. 143B-426.39. This report has been prepared by the Office of the State Controller. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the State government. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the State of North Carolina. We believe all disclosures necessary to enable you to gain an understanding of the State's financial activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter and the State's organizational chart with a list of principal officials. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules. The statistical section includes selected financial and demographic information, much of which is presented on a ten-year basis.

Reporting Entity and Its Services

The State of North Carolina entity as reported in the CAFR includes all fund types, account groups, departments and agencies of the State, as well as universities, boards, commissions and authorities over which the State's executive, legislative and judicial branches exercise oversight responsibility. This presentation is in conformity with accounting and reporting standards of the Governmental Accounting Standards Board (GASB) in its GASB Codification Section 2100. Oversight responsibility is defined to include selection of governing authority, designation of management, financial interdependency, ability to significantly influence operations and accountability for fiscal matters.

The State provides a broad range of services including education, health and social services, transportation, law enforcement, judicial, public safety, community and economic development, and general administrative services. The costs of these services are reflected in detail and in summary in this report.

Major Initiatives

For the Year

The North Carolina General Assembly revamped the State's income tax system in 1989, thereby implementing the first significant revision to the tax code since the 1930s. The new tax system follows the practice of many other states whereby taxpayers begin with their Federal taxable income and apply certain adjustments to arrive at their N.C. taxable income. Tax rates of 6% or 7% will be applied. The State estimates that 700,000 citizens will no longer have to file state income tax returns, but the new system was intended to be revenue neutral.

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Major Initiatives

For the Future

The North Carolina General Assembly authorized a major new highway expansion program in 1989. Increases in the gasoline tax, use tax, title fees and other sources will generate an estimated $9.26 billion over a thirteen-year period to fund the program, the largest in North Carolina history. These funds will be deposited in the newly-created Highway Trust Fund. The major elements of the program include completing the remaining 1,716 miles of four-lane construction on the 3,600-mile North Carolina Intrastate System in about 13.5 years, construction of multi-lane loops in Charlotte, Durham, Greensboro, Raleigh, Wilmington and Winston-Salem in the same period, and paving 10,000 miles of unpaved secondary roads by 1999 and all other unpaved secondary roads by 2006. Each of the State's one hundred counties will benefit from this initiative.

Departmental Focus

Department of Public Instruction

North Carolina's Department of Public Instruction fulfills one of the basic tasks of government - education of the State's children. The department provides service to 134 local school systems responsible for over one million children and monitors the expenditure of state funds for education. The Basic Education Program, an eight-year effort, is a major part of the State's school reform efforts. Begun in 1985 and scheduled for full implementation by 1993, the Program will add over 25,000 new teachers, support personnel and administrators in local school systems. This $800 million plan will result in reduced class sizes, expanded programs to include foreign languages, art and physical education at the elementary level, additional instructional materials and the first state-sponsored summer school program in the nation.

In addition to the Basic Education Program, the Department of Public Instruction recently started a major new program to increase flexibility and accountability in local schools, giving teachers, principals and other administrators the power to develop local plans to improve student achievement. The program permits local administrators greater latitude in bypassing certain rules and regulations, recognizing that local initiatives and solutions are often the best approach to solving the problems uniquely local in nature. While granting greater local autonomy, administrators will be held accountable for improving student performance in certain key areas.

Because education of the State's children is considered to be so vital, the Department of Public Instruction spent $3.1 billion in the current year, 42.7 percent of total general fund expenditures.

Economic Condition and Outlook

As one of the nation's leading industrial states, the health of the North Carolina economy is largely dependent on the U.S. manufacturing cycle. The State enjoyed an economic surge from 1986 to 1988 as domestic demand for goods remained strong and U.S. exports soared with the falling dollar. Rising U.S. real interest rates and a refirming of the dollar during the past year have reduced the rate of growth of the State's industrial sector. North Carolina's manufacturing output is estimated to have grown by 4.0 percent during the past year, compared to 5.6 percent and 7.2 percent gains in 1986-87 and 1987-88, respectively. North Carolina manufacturing employment was 870,000 in June, 1989, compared to 863,000 twelve months earlier. This indicator peaked at 874,400 in September, 1989 but declined by 8,100 jobs in October and November. These job losses at year end were felt in the rubber and plastics, furniture, apparel and textiles, fabricated metals and electrical machinery industries. Manufacturing employment in June, 1989, represents 28.8 percent of total nonfarm jobs in North Carolina, compared to 29.3 percent in 1988, 34.5 percent in 1980 and 36.1 percent in 1975.

The State's "great jobs machine," the nonmanufacturing sector, has grown by 13.7 percent in the past twelve months, adding 260,000 new jobs. This increase was sharpest in the wholesale and retail trade, services and governmental sectors and continued throughout the rest of 1989. Significantly, the two nonmanufacturing industries with the closest ties to the housing market, construction and finance, added no new jobs in the last half of 1989. Contributing to the weakness in the financial sector have been the growing difficulties in the savings and loan industry. Although most North Carolina savings and loans are financially sound, there have been instances of large write-offs due to bad real estate loans. As all savings and loans face closer scrutiny by regulatory institutions, more weaknesses may emerge.

Of special interest was the 1989 buyout of RJR/Nabisco by the investment firm of Kohlberg Kravis Roberts and Co. The buyout price of $25 billion represented an approximate doubling of the per-share trading value of the company prior to announcement of the buyout attempt. The sale of the tobacco and food products giant represents a unique situation for the State in general and the Winston-Salem metropolitan area in particular. Residents of that area received a significant windfall as many present and past employees of the company were shareholders in RJR. This will provide a large income stimulus to the economy and will lead to a significant one-time boost in State income tax collections. However, the question remains of whether the pressures created by the large debt burden will force the company to cut local payrolls or reduce its previous major contributions to the area's arts, universities and public works.

Financial Information

Internal Control

Management of the government is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit

As a recipient of federal financial assistance, the State also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the government.

As a part of the State's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the State has complied with applicable laws and regulations. The results of the State's single audit for the fiscal year ended June 30, 1988, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations. The State's single audit for the fiscal year ended June 30, 1989, has not been completed.

Budgetary Control

In addition, the State maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the General Assembly. Activities of the general fund and special revenue funds are included in the annual appropriated budget. Project-length financial plans are adopted for the capital projects funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is exercised at the departmental level by legislative authorization of expenditures appearing in the State Appropriation Bill. This "Certified Budget" is the legal expenditure authority; however, executive changes to the legal budget may be authorized by the Office of State Budget and Management. This results in the "Final Budget" presented in the financial statements. Most State departments maintain an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end. However, encumbrances generally are reappropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the State continues to meet its responsibility for sound financial management.

General Government Functions

Revenues

The following schedule presents a summary of general fund, special revenue funds, debt service funds and capital projects funds revenues on the modified accrual basis of accounting for the fiscal years ended June 30, 1989 and 1988, and the amount and percentage of increases or decreases in 1989 in relation to 1988 revenues. Amounts are expressed in millions.

	1988-89		1987-88		Increase (Decrease) Over Prior Year	
Financial Source:	Amount	Percent	Amount	Percent	Amount	Percent
Taxes	$6,691	69.0%	$6,382	69.2%	$309	4.8%
Federal Funds	2,142	22.1%	1,996	21.6%	146	7.3%
Local Funds	139	1.4%	113	1.2%	26	23.0%
Investment Earnings	197	2.0%	213	2.3%	(16)	(7.5)%
Fees, Licenses and Fines	426	4.4%	405	4.4%	21	5.2%
Other	109	1.1%	120	1.3%	(11)	9.9%
Total Revenues	9,704	100.0%	9,229	100.0%	475	5.1%
Operating Transfers In	674		677		(3)	
Proceeds from bond sale	21		-		21	
Total Financial Sources	$10,399		$9,906		$493	

Taxes produced the most significant increase among actual continuing revenue sources. Tax revenues are composed primarily of income taxes, sales and use taxes, and gasoline taxes. A large portion of the tax revenue increase was the result of continuing economic expansion in the State. Taxes represented 69.0 percent of all general revenues, compared to 69.2 percent last year. Income tax collections increased by $200 million in 1989 to $3.686 billion, a 5.8 percent increase over 1988. Federal funds revenues grew by 7.3 percent, continuing a growth trend established in 1987-88.

Expenditures

The following schedule presents a summary of general fund, special revenue funds, debt service funds and capital projects funds expenditures by function for the fiscal years ended June 30, 1989 and 1988 on the modified accrual basis of accounting and the amount and percentage of increases or decreases in 1989 in relation to 1988 expenditures. Amounts are expressed in millions.

	1988-89		1987-88		Increase (Decrease) Over Prior Year	
Function:	Amount	Percent	Amount	Percent	Amount	Percent
General Government	$ 370	4.2%	$ 275	3.4%	$ 95	34.5%
Public Safety and Regulation	395	4.4%	360	4.5%	35	9.7%
Corrections	321	3.6%	277	3.4%	44	15.9%
Public Education and Community Colleges	3,547	39.9%	3,214	39.9%	333	10.4%
Transportation	1,129	12.7%	1,116	13.9%	13	1.2%
Health, Welfare and Rehabilitation	2,487	28.0%	2,169	26.9%	318	14.7%
Resource Development and Preservation	326	3.7%	328	4.1%	(2)	(0.6)%
Agriculture	52	0.6%	49	0.6%	3	6.1%
Claims and Benefits	74	0.8%	66	0.8%	8	12.1%
Capital Outlay	75	0.8%	87	1.1%	(12)	(13.8)%
Intergovernmental	4	-	3	-	1	33.3%
Debt Service	111	1.3%	113	1.4%	(2)	(1.8)%
Total Expenditures	8,891	100.0%	8,057	100.0%	834	10.4%
Operating Transfers Out To Universities and Other Funds	1,732		1,771		(39)	
Total Financial Uses	$10,623		$9,828		$795	

Increased expenditures for public education reflect the State's continuing commitment to the eight-year Basic Education Program, which calls for increased annual funding through 1993. The Legislature authorized reimbursing local governments for lost shared revenues that it repealed this year, increasing General Government expenditures significantly.

Additional information, in greater detail and for the past ten years, may be examined in the statistical section. Charts illustrating 1989 data may also be seen on page 16.

General Fund Condition Budgetary Basis

The general fund is an important point of focus in determining the overall financial condition of the State. North Carolina uses the cash basis of accounting for budgetary purposes. Under this basis, revenues and expenditures are recorded at the time cash is actually received or disbursed in accordance with the provisions of the Appropriations Act. This basis of accounting is widely accepted for budget purposes and has been used in North Carolina for many years. This report includes statements, schedules and tables that present the financial activity of the general fund of the State on a cash basis.

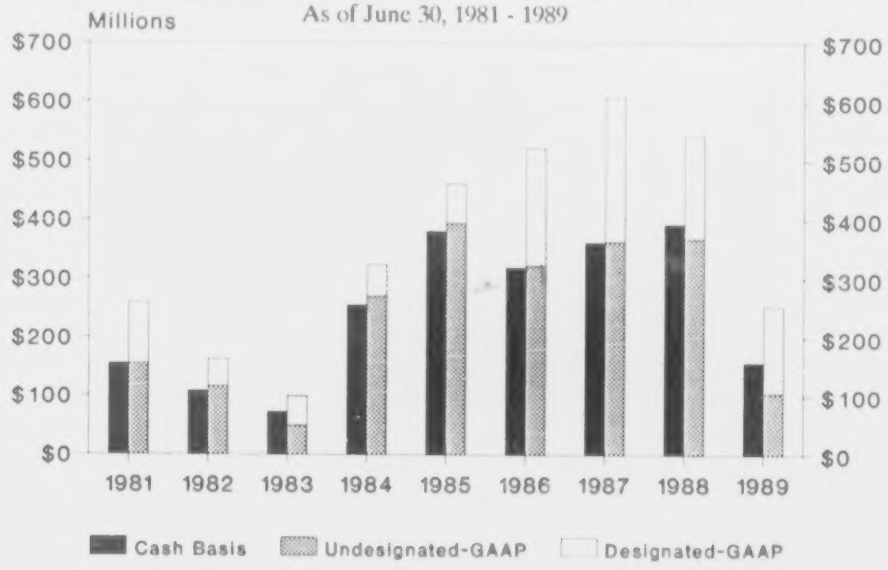
General Fund Condition Modified Accrual Basis

Although the State budgets and manages its financial affairs on the accepted cash basis of accounting, the nation's financial community has encouraged states to also include, in their annual reports, financial statements that are prepared on the modified accrual basis of accounting. Under this basis, which more adequately serves their analytical and other needs, revenues are recognized when they become both measurable and available to finance operations of the fiscal year, or to liquidate liabilities existing at fiscal year end. Expenditures are recognized when a liability is incurred.

The fund balance of the general fund decreased by 53 percent in 1989, primarily due to higher expenditures for education and for health, welfare and rehabilitation, as well as continued large transfers out to other funds. At June 30, 1989, the fund balance of the general fund was $253.6 million, which is the equivalent of nine working days of expenditures.

The following chart illustrates the undesignated fund balances (or surplus) on the cash basis and the fund balances (designated and undesignated portions) on the modified accrual basis of the general fund at the end of each fiscal year since June 30, 1981.

GENERAL FUND - FUND BALANCES
COMPARISON OF GAAP BASIS (DESIGNATED AND UNDESIGNATED) FUND BALANCES
AND CASH BASIS FUND BALANCES FOR THE PAST NINE YEARS
As of June 30, 1981 - 1989



Pension Trust Fund Operations

The operations of the Teachers' and State Employees' Retirement System remained relatively stable in 1989. The system's revenue decrease of 2.5 percent was tied primarily to lower investment earnings than in the previous year. The 10.0 percent increase in expenses was the result of higher benefits paid to participants. The annual actuarial valuation continues to reflect a positive trend in the State's and employees' funding of the system. The State also participates in the Consolidated Judicial Retirement System, the Legislative Retirement System, the Firemen's and Rescue Squad Workers' Pension Fund and the North Carolina National Guard Pension Fund. The Local Governmental Employees' Retirement System is administered by the State but the State is not a participant. Each of these systems continued to show a positive trend in funding.

Debt Administration

At June 30, 1989, the State had a number of debt issues outstanding. These issues included $660.429 million in general obligation bonds, $871.118 million in revenue bonds in the enterprise funds, $258.823 million in revenue bonds in the University funds and $2.8 million in revenue bonds in the General Long-Term Obligations Account Group. The State continues to receive the highest bond rating ("AAA") issued by Moody's Investors Service and Standard and Poor's Corporation. Each year the high rating saves North Carolina millions of dollars in interest payments.

Cash Management

The North Carolina General Assembly recognizes the importance of good cash management practices and has enacted legislation which promotes a "Statewide Cash Management Policy" to minimize idle and non-productive cash balances. All cash deposited with the State Treasurer by State entities is managed in pooled investment accounts to maximize interest earnings. During fiscal year 1989, uncommitted State funds were invested in short-term collateralized deposits with a composite average yield of 8.60 percent.

Risk Management

The State has established a limited risk management program for fire and other property losses. As part of this comprehensive plan, resources are being accumulated in an internal service fund to meet potential losses. Third-party coverage is currently maintained for losses in excess of $2,000,000. The State is fully self-insured for workers' compensation and unemployment compensation claims.

Other Information

Independent Audit

In compliance with State statute, an annual financial audit of the State entity is completed each year by the North Carolina Office of the State Auditor. The Auditor's examination was conducted in accordance with generally accepted auditing standards and his opinion has been included in this report. In addition, the State coordinates the "Single Audit" effort of all Federal funds through the State Auditor.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awards certificates of achievement to governmental units that publish readable and efficiently organized CAFRs which conform to the Association's program standards and satisfy both generally accepted accounting principles and applicable legal requirements.

The State of North Carolina is participating in the GFOA program by submitting this and future reports for review and comment by GFOA. Through the continued development of the Office of the State Controller, we will strive to meet all GFOA requirements and to receive the certificate of achievement.

Acknowledgements

In conclusion, we hope this report provides useful data in evaluating the financial activity of the State of North Carolina. We in the Office of the State Controller would like to express our appreciation to the financial officers throughout State government and the Office of the State Auditor for their dedicated efforts in assisting us in the preparation of this report.

Respectfully submitted,

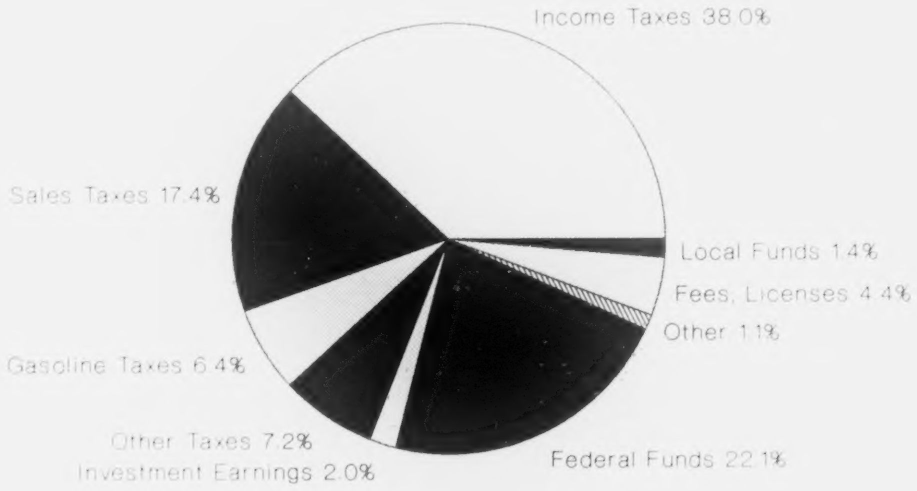
Fred W. Talton

Fred W. Talton
State Controller

January 31, 1990

GENERAL GOVERNMENT REVENUES

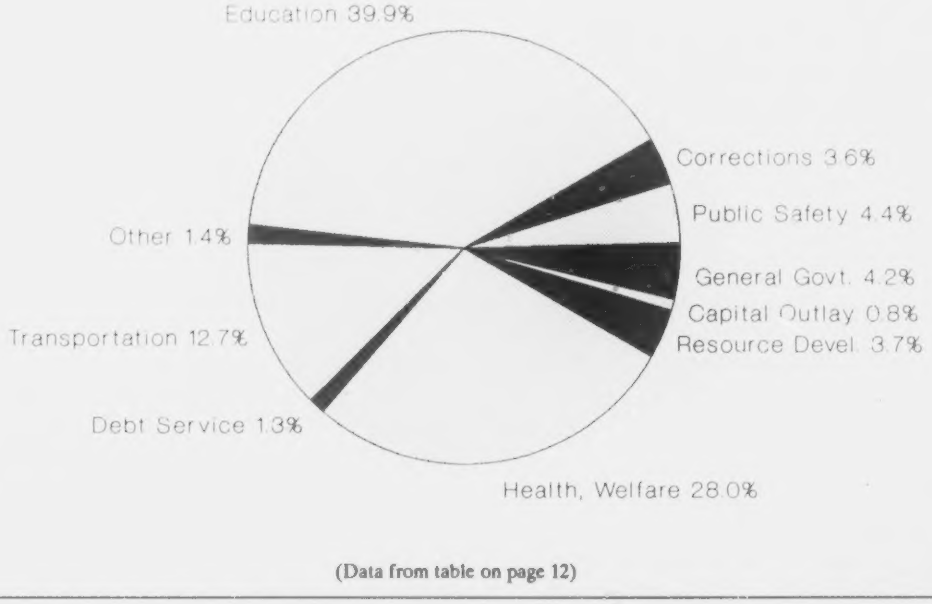
For the Fiscal Year Ended June 30, 1989



(Data from table on page 11)

GENERAL GOVERNMENT EXPENDITURES

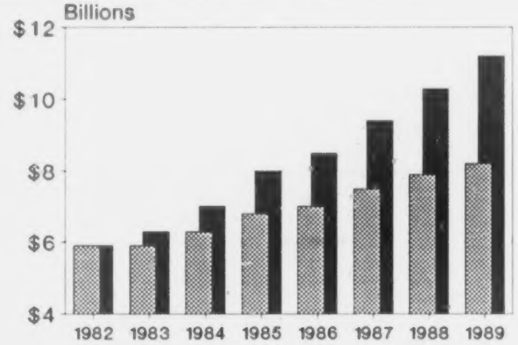
For the Fiscal Year Ended June 30, 1989



(Data from table on page 12)

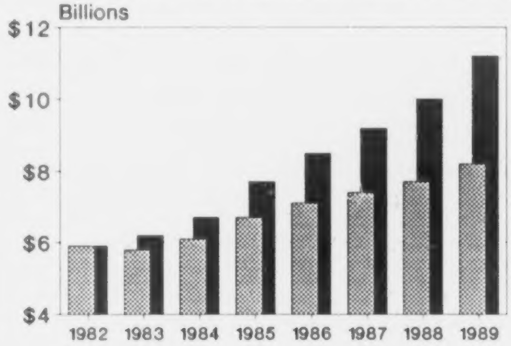
GENERAL GOVERNMENT REVENUES AND EXPENDITURES
CURRENT AND CONSTANT DOLLARS - LAST EIGHT YEARS
(Data from Tables 1, 16 and 17 - Statistical Section)

GENERAL GOVERNMENT REVENUES



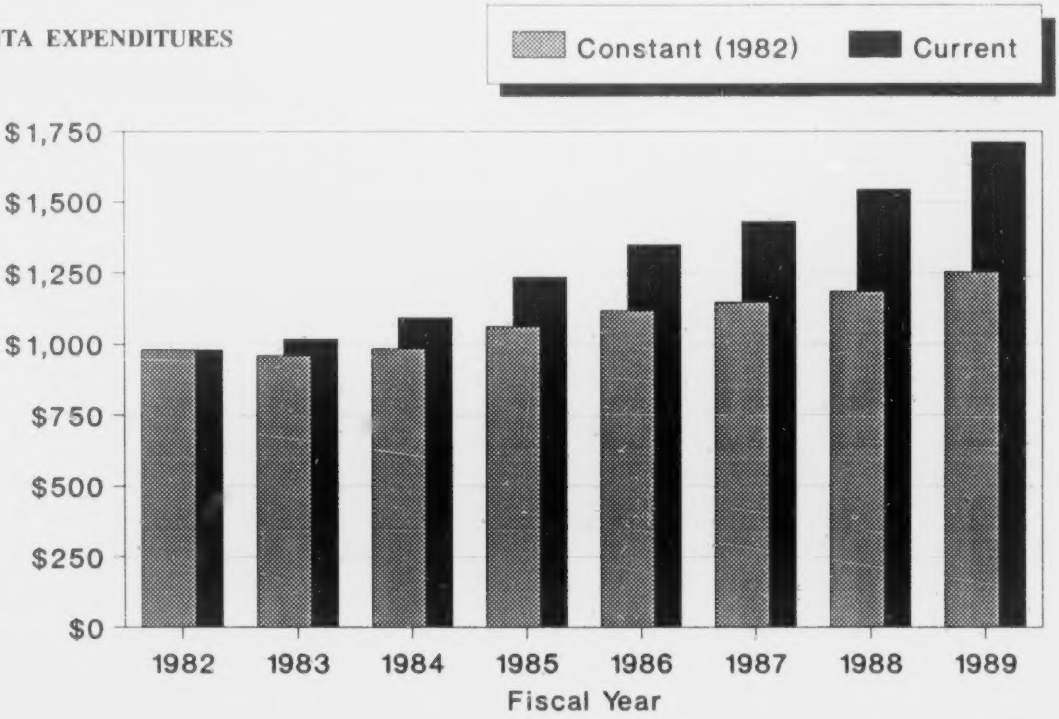
	1982	1983	1984	1985	1986	1987	1988	1989
Current Dollars	5.9	6.3	7.0	8.0	8.5	9.4	10.3	11.2
Constant Dollars (1982)	5.9	5.9	6.3	6.8	7.0	7.5	7.9	8.2
Percent Increase Over Prior Year:								
Current Dollars		6.2%	12.2%	13.0%	6.8%	10.1%	9.7%	8.7%
Constant Dollars		0.1%	7.2%	7.8%	3.0%	6.8%	4.9%	3.6%

GENERAL GOVERNMENT EXPENDITURES



	1982	1983	1984	1985	1986	1987	1988	1989
Current Dollars	5.9	6.2	6.7	7.7	8.5	9.2	10.0	11.2
Constant Dollars (1982)	5.9	5.8	6.1	6.7	7.1	7.4	7.7	8.2
Percent Increase Over Prior Year:								
Current Dollars		4.7%	9.1%	14.8%	10.3%	7.3%	9.3%	11.9%
Constant Dollars		(1.2)%	4.2%	9.5%	6.4%	4.0%	4.5%	6.7%

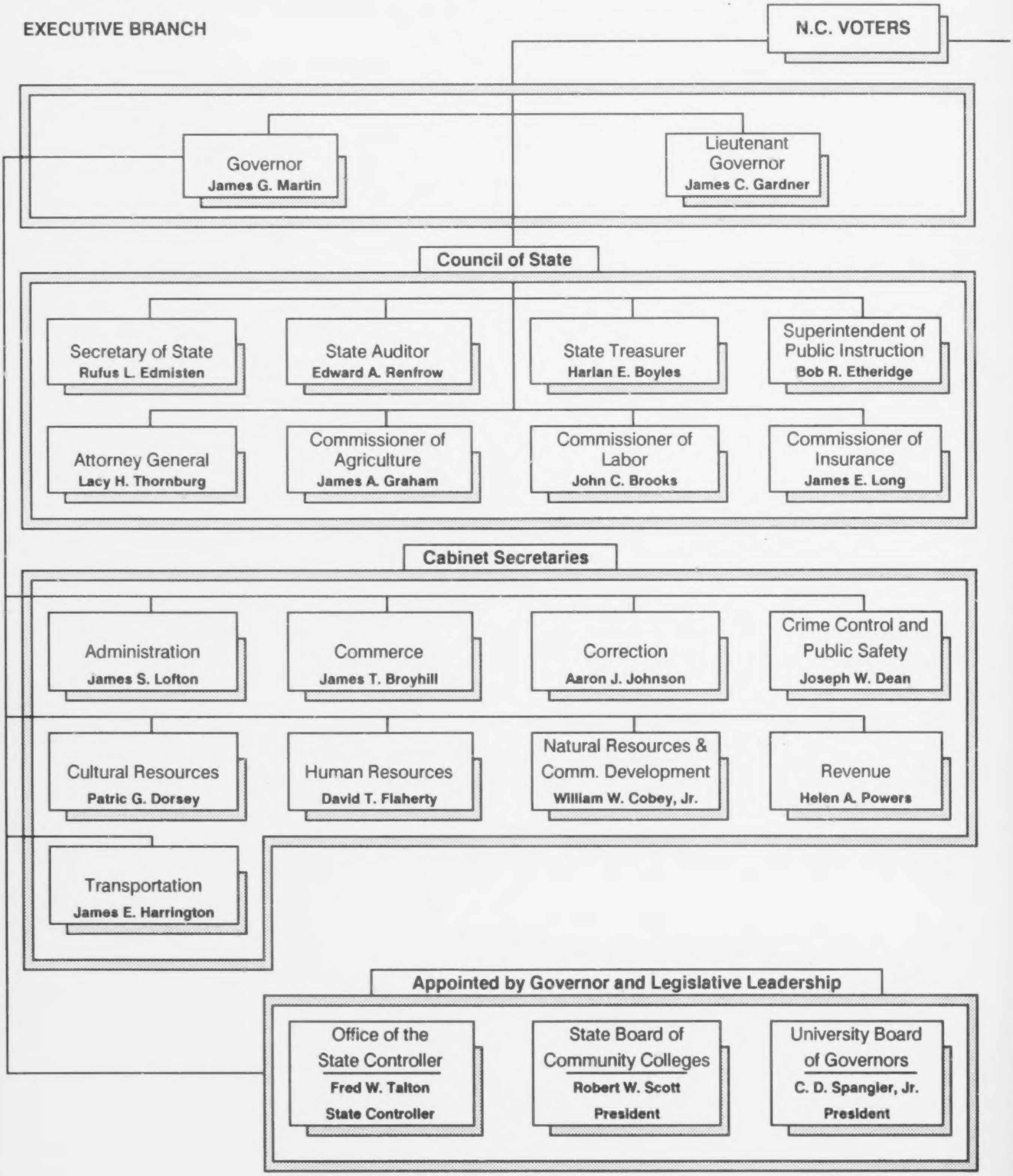
PER CAPITA EXPENDITURES

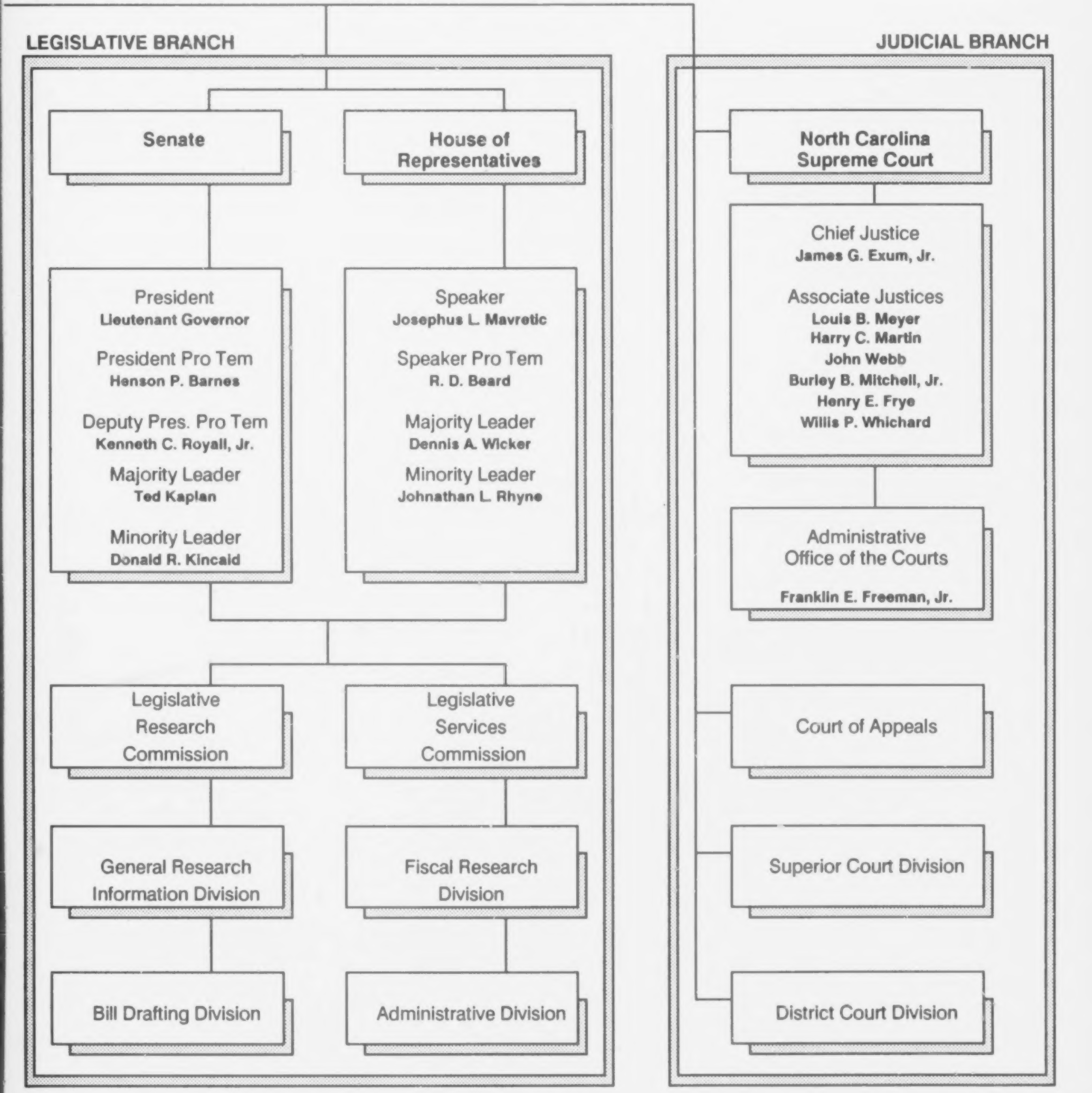


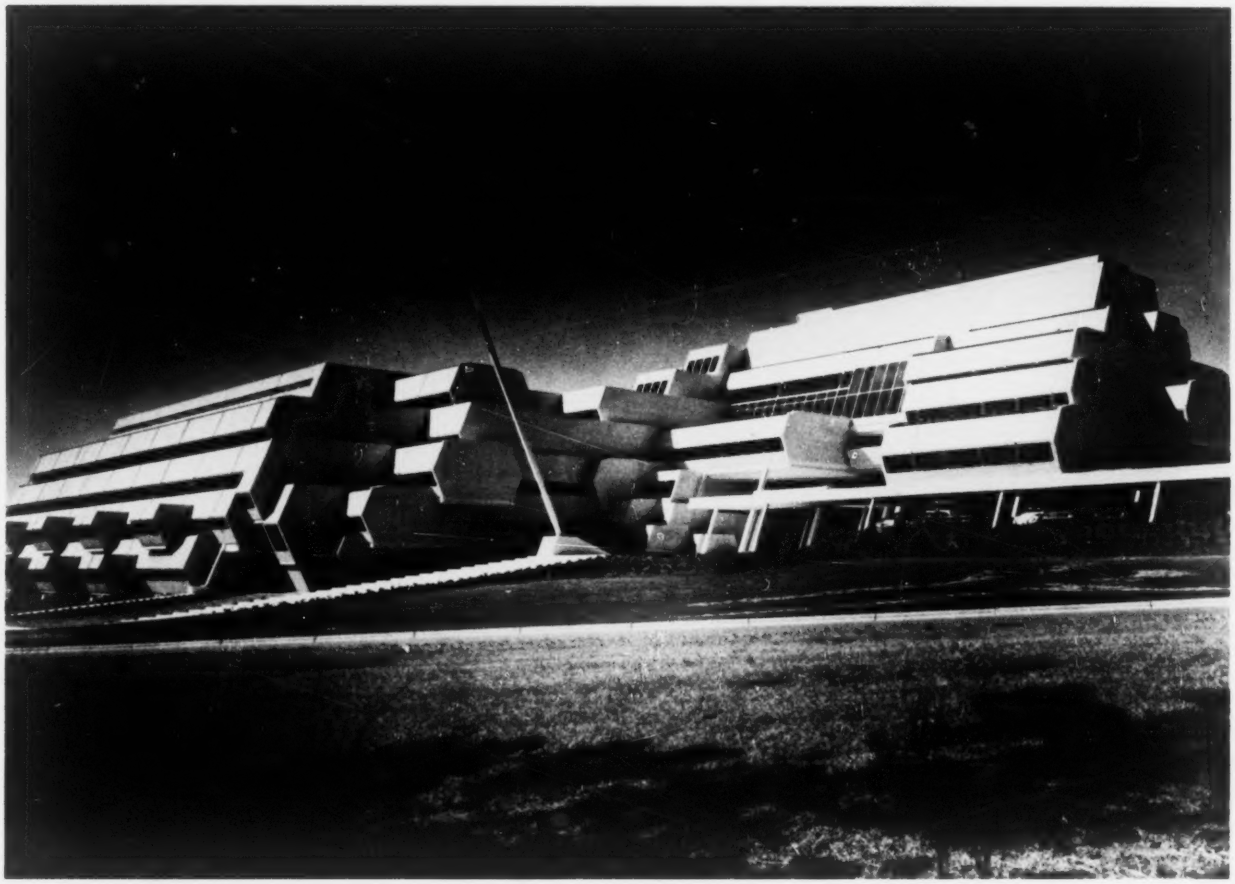
	1982	1983	1984	1985	1986	1987	1988	1989
Current Dollars	$981	$1,018	$1,094	$1,237	$1,350	$1,430	$1,544	$1,710
Constant Dollars (1982)	$981	$ 960	$ 986	$1,064	$1,119	$1,149	$1,186	$1,252
Percent Increase Over Prior Year:								
Current Dollars		3.7%	7.5%	13.1%	9.1%	5.9%	7.9%	10.7%
Constant Dollars		(2.1)%	2.7%	7.9%	5.2%	2.7%	3.2%	5.6%

ORGANIZATIONAL CHART OF NORTH CAROLINA STATE GOVERNMENT

June 30, 1989


EXECUTIVE BRANCH
N.C. VOTERS
Governor
James G. Martin
Lieutenant Governor
James C. Gardner
Council of State
Secretary of State
Rufus L. Edmisten
State Auditor
Edward A. Renfrow
State Treasurer
Harlan E. Boyles
Superintendent of Public Instruction
Bob R. Etheridge
Attorney General
Lacy H. Thornburg
Commissioner of Agriculture
James A. Graham
Commissioner of Labor
John C. Brooks
Commissioner of Insurance
James E. Long
Cabinet Secretaries
Administration
James S. Lofton
Commerce
James T. Broyhill
Correction
Aaron J. Johnson
Crime Control and Public Safety
Joseph W. Dean
Cultural Resources
Patric G. Dorsey
Human Resources
David T. Flaherty
Natural Resources & Comm. Development
William W. Cobey, Jr.
Revenue
Helen A. Powers
Transportation
James E. Harrington
Appointed by Governor and Legislative Leadership
Office of the State Controller
Fred W. Talton
State Controller
State Board of Community Colleges
Robert W. Scott
President
University Board of Governors
C. D. Spangler, Jr.
President


LEGISLATIVE BRANCH
Senate
House of Representatives
President
Lieutenant Governor
President Pro Tem
Henson P. Barnes
Deputy Pres. Pro Tem
Kenneth C. Royall, Jr.
Majority Leader
Ted Kaplan
Minority Leader
Donald R. Kincaid
Speaker
Josephus L. Mavretic
Speaker Pro Tem
R. D. Beard
Majority Leader
Dennis A. Wicker
Minority Leader
Johnathan L. Rhyne
Legislative Research Commission
Legislative Services Commission
General Research Information Division
Fiscal Research Division
Bill Drafting Division
Administrative Division
JUDICIAL BRANCH
North Carolina Supreme Court
Chief Justice
James G. Exum, Jr.
Associate Justices
Louis B. Meyer
Harry C. Martin
John Webb
Burley B. Mitchell, Jr.
Henry E. Frye
Willis P. Whichard
Administrative Office of the Courts
Franklin E. Freeman, Jr.
Court of Appeals
Superior Court Division
District Court Division



The corporate offices of Burroughs Wellcome

CAFR THEME

North Carolina's Research Triangle Area

The 21st century will be led by governments and companies that recognize knowledge is the driving force for economic growth and human progress. Nowhere has this recognition come into sharper focus than in North Carolina's Research Triangle Park and the surrounding region.

The origins of the world's largest research park date to a 1954 meeting in the Raleigh office of Governor Luther H. Hodges, where leaders from business, higher education and state government endorsed a bold proposal to create a model center for research in the pine-covered North Carolina Piedmont.

The idea was to promote the resources of three nearby research universities - North Carolina State University in Raleigh, the University of North Carolina at Chapel Hill and Duke University in Durham - in attracting industry to the Triangle area. The enterprise, Governor Hodges said, represented "the marriage of North Carolina's ideals for higher education and its hopes for material progress."

The fruition of that unique idea has surpassed the dreams of those early pioneers. Today it is not only one of the world's top research complexes but also a model of what the public and private sectors can accomplish by working together.

Business

The Park is home to more than fifty corporate, academic and governmental research facilities, employing more than 32,000 persons with an annual payroll of $1 billion.

Within the Park, research and development activities are conducted in many fields - microelectronics, telecommunications, ethical pharmaceuticals, chemicals, biotechnology, fiber optics, computer software, environmental health sciences, instrumentation, transportation, humanities, and contract research.

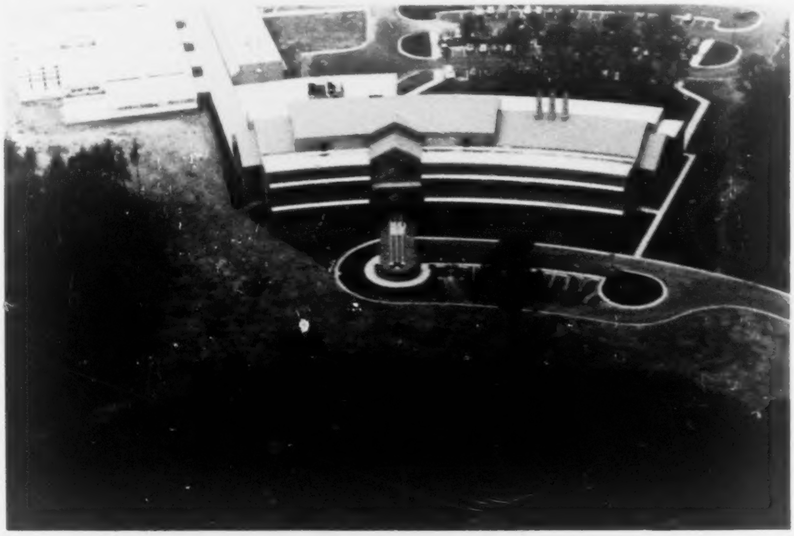
Academia

The Research Triangle area is home to three major research universities, six accredited colleges and a number of technical vocational schools. The University of North Carolina at Chapel Hill, North Carolina State University and Duke University have a combined enrollment that exceeds 60,000, including 12,000 graduate students. Each year they award more than 12,000 degrees, including 3,500 in the sciences, engineering and medicine. These institutions conduct more than $400 million in sponsored research each year. Park tenants engage more than 2,000 faculty members as consultants and researchers, while more than 500 industrial scientists in the Park serve as adjunct professors or in some other capacity on Triangle campuses.

The University-affiliated Research Triangle Institute (RTI) is one of the country's top contract research firms, with more than 1,400 employees and annual revenues approaching $100 million. This academic/industrial research environment is a major reason the Park has proven fertile ground for growing, as well as established, companies.

Government

State government's commitment to the Park is reflected in the Microelectronics Center of North Carolina (MCNC) and the North Carolina Biotechnology Center, which support academic and corporate research in those fields. The state has also made a multi-million dollar investment in a Cray supercomputer housed in the Park, within the structure of MCNC, for use by industrial researchers as well as university and RTI scientists. In addition, federal, state and local governments have invested more than $1.5 billion in the Triangle since 1980 to improve schools, water supplies and vital infrastructure.



BASF Corporation

RESEARCH TRIANGLE PARK TENANTS

Corporate

IBM	computers	Data General	software
Northern Telecom	communications	Ciba-Geigy	biotechnology
Glaxo	pharmaceutical	General Electric	semiconductors
Burroughs-Wellcome	pharmaceutical	GTE	communications
Becton, Dickinson	medical research	BASF	agricultural
Rhone-Poulenc	agricultural	Litespec	fiber optics
CompuChem	environmental	Troxler	instrumentation
Radian	environmental	BNR (Bell Northern Research)	communications
Sumitomo Electric	fiber optics		
DuPont	electronics		

Non-Profit

Research Triangle Institute	contract research
National Humanities Center	humanities studies
Chemical Industry Institute of Toxicology	chemicals
Instrument Society of America	instrumentation
Semiconductor Research Corporation	semiconductors
Underwriters Laboratories	testing
Research Triangle Foundation	owner and developer of Park

Governmental

Microelectronics Center of North Carolina	semiconductors and supercomputing
N.C. Biotechnology Center	biotechnology
U.S. Environmental Protection Agency	environmental
U.S. Department of Agriculture, Forest Service	forestry research
National Center for Health Statistics	health data
National Institute of Environmental Health Sciences	biomedical

National Institute of Environmental Health Sciences

INTERNATIONAL BUSINESS MACHINES

IBM's second-largest operation in the United States is located in the Research Triangle area with 11,000 employees, or about 2.6 percent of the Triangle's work force.

The Research Triangle Park is IBM's U.S. development hub for communications systems, the hardware and software components used to build networks that link computers in the same office or in different locations. The Park is also the exclusive U.S. manufacturing center for the Personal System/2, IBM's highly successful personal computer. These products are the two fastest growing segments of the computer industry. IBM has also developed laser-scanning bar code readers for the grocery industry in the Park as well as an automated speech analyzing system which enables the deaf to lip-read more easily.

In the Research Triangle Park, IBM's work force of 8,500 is divided almost equally among development, programming, manufacturing and administration. The company complies with a Park requirement that at least 25 percent of a resident company's work force be research and professional employees. About 1,800 IBM employees work in Raleigh offices, primarily in sales and marketing, and the remaining 700 work at a software laboratory in nearby Cary.

IBM PS/2 assembly line

RALEIGH

Raleigh, with a population that exceeds 225,000, is the state capital of North Carolina. The city was named for Sir Walter Raleigh, who commissioned the first English settlement in the New World in the 1580's on Roanoke Island, N.C. The city is the only state capital in the United States originally planned as a capital city. Because of the large concentration of state government employees (there are more than 15,000 state employees in the city) as well as a significant college and university presence, Raleigh's economy has weathered the economic ups and downs affecting many other areas of the country. Its per capita income is well above the national average. Raleigh is the fastest growing major city in North Carolina, doubling its population in the past two decades.

Raleigh is home to seven colleges and universities - North Carolina State University, Meredith College, Peace College, St. Mary's College, St. Augustine's College, Shaw University and Hardbarger Junior College of Business. These educational institutions are home to faculty and students from all fifty states and many foreign countries, providing a rich cultural diversity to the city. N.C. State University is in the midst of planning and developing its $1 billion Centennial Campus, which will greatly expand its core campus and enhance the many services provided by the University to business and industry.

Raleigh has many cultural and recreational attractions to enjoy. It is the home of the N.C. Symphony Orchestra, the first state-supported symphony in the United States. Raleigh also offers many professional and community theatre opportunities. There are over 3,000 acres of parkland and more than 800 acres of water in the city, as well as a growing greenway system. As a result, Raleigh has been named the first "Green Survival City" in the nation and an "All America City."

Fayetteville Street Mall in Raleigh extends from the Civic Center Complex to the State Capital.

Duke University Chapel in Durham

DURHAM

The second largest of the Triangle cities is Durham, with a population of 125,000. The city has long been noted as the center of the tobacco industry, but in recent years Durham has diversified its industrial base and revitalized its economy. Today Durham is often referred to as the City of Medicine. It is home to the world-renowned Duke Medical Center, one of the top medical care facilities in the nation. One out of every four people in the city's work force is employed in a health-related field.

One of the nation's most prestigious private universities, Duke University, is also located in Durham. Duke is nationally recognized for its schools of law, business and religion.

FINANCIAL SECTION

Index

Report of Independent Auditor 26

General Purpose Financial Statements 29

Notes to the Financial Statements 43

Required Supplementary Information 73

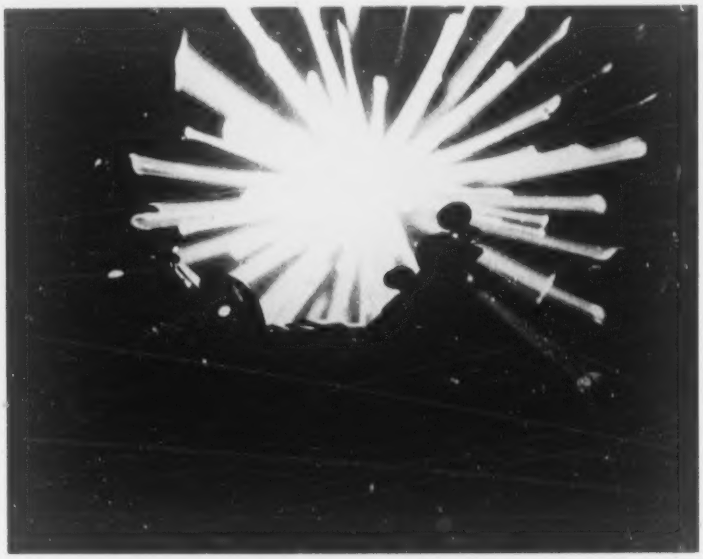
Combining, Individual Fund and Account Group Statements and Schedules 79

CHAPEL HILL

The third point of the Triangle - Chapel Hill - is often thought of as a college town because of its association with the University of North Carolina, the city's main industry. The University of North Carolina was the first state university in the country, chartered in 1789.

Like its sister city of Durham, Chapel Hill boasts some of the finest healthcare facilities in the United States, including the UNC schools of Medicine, Nursing and Public Health, as well as North Carolina Memorial Hospital and the Jaycee Burn Center.

Chapel Hill is the home of the Morehead Planetarium, one of the nation's finest facilities for exhibiting astronomical programs and phenomena to the public and to school groups. The Planetarium owns a Zeiss Model VI Projector, which can display the night sky as seen from any place in the world at any point in time. NASA's astronauts from the Mercury, Gemini and Apollo space programs all studied celestial navigation at the Planetarium from 1960 to 1975. The Planetarium also houses scientific exhibits, an art gallery and a rose garden with a mammoth sundial showing the time around the world.



Chapel Hill's Morehead Planetarium displays the wonders of the cosmos to North Carolinians.

REPORT OF INDEPENDENT AUDITOR

OFFICE OF THE STATE AUDITOR
LEGISLATIVE OFFICE BUILDING
300 N. SALISBURY STREET
RALEIGH, N.C. 27603-5903

EDWARD RENFROW
STATE AUDITOR

(919) 733-3217

Report of Independent Auditors

Governor James G. Martin
The General Assembly of North Carolina

We have audited the general purpose financial statements of the State of North Carolina as of and for the year ended June 30, 1989, as listed in the table of contents. The general purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Insured Student Loan Program of the State Educational Assistance Authority and the North Carolina Deferred Compensation Plan, which statements reflect total assets constituting 2% of the assets of the trust and agency funds and total revenues constituting 65% of the revenues of the nonexpendable trust funds; nor did we audit the financial statements of the North Carolina Housing Finance Agency and the U.S.S. North Carolina Battleship Commission, which statements reflect total assets and revenues constituting 77% and 34% of the assets and revenues, respectively, of the enterprise funds. These statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

As described more fully in Note 3G to the general purpose financial statements, the balances reported on the combined balance sheet and the additions and deletions reported on the schedule of changes in Note 3G for the general fixed assets account group are misstated by an amount which is not readily determinable.

As described more fully in Note 1P to the general purpose financial statements, not all intrafund and interfund transactions have been recorded and reported in accordance with generally accepted accounting principles. Therefore, the general purpose financial statements are misstated by an amount which is not readily determinable.

In our opinion, based upon our audit and the reports of other auditors, except for the effects of the matters discussed in the preceding paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the fund types and account groups of the State of North Carolina at June 30, 1989, and the results of each fund type's operations and the changes in financial position of the proprietary fund types, nonexpendable trust funds, and pension trust funds for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and account group financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of North Carolina. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based upon our audit and the reports of other auditors, except as noted in the third and fourth paragraphs above, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

We did not examine the data included in the introductory and statistical sections of this report, and accordingly, express no opinion thereon.

Edward Renfrow
State Auditor

January 25, 1990

NORTH CAROLINA STATE UNIVERSITY

North Carolina State University (NCSU), founded by the N.C. General Assembly on March 7, 1887, is one of the nation's leading public universities and a national center for research in science and technology. NCSU has long been a major factor in the economic well-being of the state and has contributed to the development of North Carolina agriculture, manufacturing and many other industries. It has played a key role in the preservation of the state's environment and the improvement of life. N.C. State University is the largest of the sixteen constituent institutions of the University of North Carolina system.

The University is organized into eight colleges - Agriculture and Life Science, Design, Education, Engineering, Forest Resources, Humanities and Social Sciences, Physical and Mathematical Sciences, Textiles, and Veterinary Medicine - and the School of Design and the Graduate School. Through these schools the University offers 81 bachelor's, 77 master's and 48 doctoral degree programs. In addition, NCSU confers eight professional degrees, one of which is the Doctor of Veterinary Medicine. Current enrollment exceeds 26,000, which includes more than 17,700 undergraduate, 4,000 graduate and 4,300 lifelong education students.

North Carolina State University has the largest university research program in North Carolina and the 32nd largest in the United States, according to a recent National Science Foundation study. NCSU ranks fifth in industry-related research. The University's budget for research and sponsored programs exceeded $157 million in 1988-89. As a land-grant university, NCSU has a long-standing reputation for research achievement in the areas of agriculture, engineering, forestry and the sciences. Today, University scientists are working in the forefront of materials science, microelectronics, biotechnology, precision engineering, robotics, aerospace engineering, and other areas of advanced technology.

North Carolina State University is now a major participant in the national effort to pool the creative resources of university, industry and government scientists to develop the new knowledge and technologies necessary to strengthen America's competitive position in the international marketplace. Furthermore, the University is a major player in NASA's program to send an American to Mars early in the twenty-first century. The University will develop the materials to build a spacecraft that can withstand the harsh conditions of long years in space.

North Carolina State University will dramatically expand its capabilities in the coming years with the development of the new Centennial Campus. The Centennial Campus has been designed to foster research alliances between the University and private industry that will benefit the economy of North Carolina and the nation.

North Carolina citizens, businesses and industries are also served by extension programs operated throughout the state by the colleges of Engineering, Forest Resources, Humanities and Social Services, Textiles, and Veterinary Medicine. Extension services reach more than two million North Carolinians a year. The University also offers courses via cable television and closed microwave circuits that link NCSU with the Research Triangle Park and UNC system campuses in Chapel Hill, Durham, Greensboro and Charlotte.

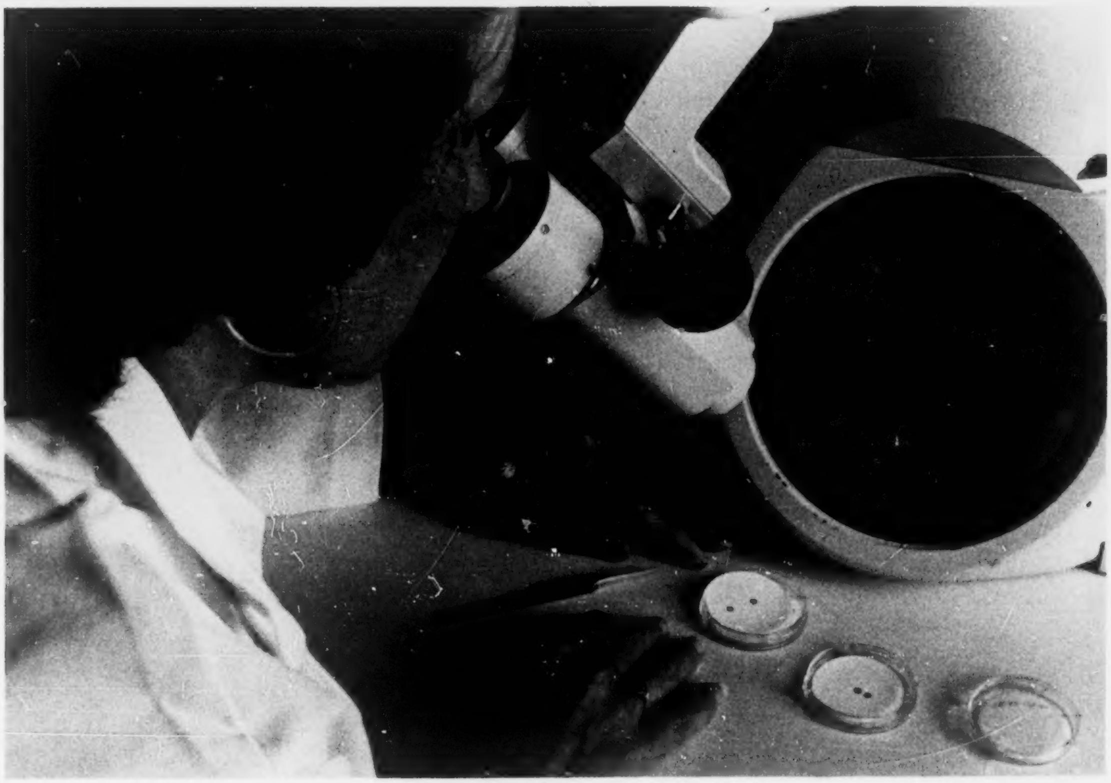
GENERAL PURPOSE FINANCIAL STATEMENTS

Index

Combined Financial Statements 30

Notes to the Financial Statements 43

Required Supplementary Information 73



NCSU Center for Electron Microscopy supports research in agriculture and life sciences.

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 1989 (With Comparative Totals for 1988)

(Expressed in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Cash and Cash Equivalents (Note 3 E)	$ 764,270	$ 676,535	$ 2,915	$ 192,682
Investments (Note 3 E)	10,892	2,680	-	-
Receivables (Note 3 F)	318,682	84,189	-	552
Interfund Receivables	6,104	21,420	27	106
Notes Receivable	-	-	-	-
Inventories	29,658	56,653	-	-
Prepaid Items	-	109	-	-
Fixed Assets (Note 3 G, 3 H)	-	-	-	-
Securities Held In Trust	-	2,439	-	-
Amount Available in Debt Service Funds	-	-	-	-
Amount to be Provided for Retirement of General Long-Term Obligations	-	-	-	-
Total Assets and Other Debits	$ 1,129,606	$ 844,025	$ 2,942	$ 193,340
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable and Accrued Liabilities	$ 777,858	$ 105,659	$ -	$ 7,406
Interfund Payables	24,764	1,739	-	28
Notes Payable	-	-	-	-
Claims and Benefits Payable	-	-	-	-
Capital Leases Payable (Note 3 K)	-	-	-	-
Bonds Payable (Note 3 L)	-	-	965	-
Interest Payable	-	-	367	-
Deposits Payable	417	24,668	-	2,155
Accrued Vacation Leave (Note 3 I)	-	-	-	-
Deferred Revenue	72,998	1,738	-	10
Total Liabilities	876,037	133,804	1,332	9,599
Fund Equity and Other Credits:				
Contributed Capital	-	-	-	-
Retained Earnings	-	-	-	-
Investment In Fixed Assets	-	-	-	-
Fund Balances:				
Reserved/Restricted (Note 3 C)	103,592	112,473	1,610	-
Unreserved/Unrestricted:				
Designated for Subsequent Years' Expenditures	44,957	597,748	-	183,741
Undesignated	105,020	-	-	-
Total Fund Equity and Other Credits	253,569	710,221	1,610	183,741
Total Liabilities, Fund Equity and Other Credits	$ 1,129,606	$ 844,025	$ 2,942	$ 193,340

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-1

Proprietary Fund Types		Fiduciary Fund Types	Account Groups			Totals (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	University	June 30, 1989	June 30, 1988
$ 84,370	$ 164,044	$ 1,903,752	$ -	$ -	$ 514,617	$ 4,303,185	$ 4,361,419
178,381	105,685	15,218,880	-	-	450,178	15,966,696	14,200,041
53,571	33,383	106,734	-		80,959	678,070	586,826
10	314	14,305	-	-	16,888	59,174	66,041
753,137	-	85,596	-	-	67,108	905,841	812,439
6,769	17,708	780	-	-	23,466	135,034	121,246
18,496	322	-	-	-	1,842	20,769	6,754
193,244	84,855	-	1,699,535	-	2,563,230	4,540,864	3,913,737
240	-	250,652	-	-	-	253,331	232,799
-	-	-	-	1,610	-	1,610	2,965
-	-	-	-	792,999	-	792,999	816,826
$ 1,288,218	$ 406,311	$ 17,580,699	$ 1,699,535	$ 794,609	$ 3,718,288	$ 27,657,573	$ 25,121,093
$ 15,518	$ 16,675	$ 255,327	$ -	$ 23,048	$ 99,499	$ 1,300,990	$ 1,285,544
-	278	33,467	-	-	14,164	74,440	74,461
589	-	-	-	-	34,915	35,504	39,347
4,365	71,690	8,031	-	-	-	84,086	81,634
335	4,303	-	-	1,794	8,146	14,578	20,446
871,118	-	-	-	663,229	258,823	1,794,135	1,728,065
37,131	-	-	-	-	6,728	44,226	31,964
4,576	23	382,547	-	-	99,881	514,267	480,127
6,577	1,422	-	-	106,538	49,057	163,594	145,412
4,902	3,085	6,775	-	-	14,510	104,018	90,409
945,111	97,476	686,147	-	794,609	585,723	4,129,838	3,977,409
116,472	44,702	-	-	-	-	161,174	142,368
226,635	264,133	-	-	-	-	490,768	396,221
-	-	-	1,699,535	-	2,316,466	4,016,001	3,459,545
-	-	16,894,535	-	-	426,489	17,538,699	15,562,054
-	-	-	-	-	166,019	992,465	1,017,109
-	-	17	-	-	223,591	328,628	566,387
343,107	308,835	16,894,552	1,699,535	-	3,132,565	23,527,735	21,143,684
$ 1,288,218	$ 406,311	$ 17,580,699	$ 1,699,535	$ 794,609	$ 3,718,288	$ 27,657,573	$ 25,121,093

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1989 (With Comparative Totals for 1988)
(Expressed in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Taxes	$ 6,072,786	$ 618,472	$ -	$ -
Federal Funds	1,778,720	359,267	-	3,672
Local Funds	121,324	17,086	-	303
Investment Earnings	146,494	50,289	63	25
Sales and Services	49,034	2,571	-	284
Sale, Rental and Lease of Property	4,795	199	-	63
Fees Licenses and Fines	129,000	296,963	-	29
Contributions, Gifts and Grants	1,303	7,032	-	123
Miscellaneous	25,016	17,948	-	1,084
Total Revenues	8,328,472	1,369,827	63	5,583
Expenditures:				
Current:				
General Government	364,199	5,917	-	-
Public Safety and Regulation	296,262	98,687	-	-
Corrections	319,082	1,431	-	-
Public Education and Community Colleges	3,477,927	69,580	-	-
Transportation	-	1,128,706	-	-
Health, Welfare and Rehabilitation	2,464,186	22,442	-	-
Resource Development and Preservation	286,898	39,223	-	-
Agriculture	52,503	-	-	-
Claims and Benefits	-	73,554	-	-
Capital Outlay	-	-	-	75,152
Intergovernmental	-	-	-	3,682
Debt Service:				
Bond Principal Retirement	-	-	69,911	-
Bond Interest	-	-	41,069	-
Total Expenditures	7,261,057	1,439,540	110,980	78,834
Excess Revenues Over (Under) Expenditures	1,067,415	(69,713)	(110,917)	(73,251)
Other Financing Sources (Uses):				
Operating Transfers In	174,952	245,655	109,562	144,113
Operating Transfers Out	(1,533,091)	(144,460)	-	(54,836)
Funds Escheated	-	-	-	-
Refund of Funds Escheated	-	-	-	-
Transfer to Private Sector	-	-	-	-
Proceeds from Bond Sale	-	-	-	20,499
Total Other Financing Sources (Uses)	(1,358,139)	101,195	109,562	109,776
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(290,724)	31,482	(1,355)	36,525
Fund Balances - July 1 - As Previously Reported	541,429	677,959	2,965	147,226
Restatements (Note 3 B)	56	(203)	-	(10)
Residual Equity Transfers:				
Transfers In	11	-	-	-
Transfers Out	-	-	-	-
Increase In Reserve for Related Assets	2,797	983	-	-
Fund Balances - June 30	$ 253,569	$ 710,221	$ 1,610	$ 183,741

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

Fiduciary Fund Types	Totals (Memorandum Only)	
Expendable Trust	June 30, 1989	June 30, 1988
$ 231,616	**$ 6,922,874**	$ 6,618,318
6,600	**2,148,259**	2,001,673
150	**138,863**	113,186
137,754	**334,625**	335,076
14,353	**66,242**	82,437
906	**5,963**	6,134
9,962	**435,954**	410,085
47,700	**56,158**	40,359
1,415	**45,463**	37,537
450,456	**10,154,401**	9,644,805
2,835	**372,951**	276,181
1,851	**396,800**	360,394
12,578	**333,091**	287,945
559	**3,548,066**	3,214,336
-	**1,128,706**	1,116,397
1,676	**2,488,304**	2,171,098
250	**326,371**	327,963
576	**53,079**	49,685
221,218	**294,772**	253,325
-	**75,152**	87,008
-	**3,682**	2,807
-	**69,911**	68,024
-	**41,069**	45,158
241,543	**9,131,954**	8,260,321
208,913	**1,022,447**	1,384,484
2,174	**676,456**	679,252
(7,853)	**(1,740,240)**	(1,776,004)
9,570	**9,570**	7,784
(1,859)	**(1,859)**	(1,390)
-	**-**	(444)
-	**20,499**	-
2,032	**(1,035,574)**	(1,090,802)
210,945	**(13,127)**	293,682
1,568,660	**2,938,239**	2,639,195
(9)	**(166)**	-
-	**11**	10,628
-	**-**	(10,628)
61	**3,841**	5,362
$ 1,779,657	**$ 2,928,798**	$ 2,938,239

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) GENERAL AND SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 1989

(Expressed in Thousands)

	General Fund				
				Variance-Favorable (Unfavorable)	
	Certified Budget	Final Budget	Actual (Budgetary Basis)	Certified Budget	Final Budget
Revenues:					
Taxes:					
Income	$ 3,551,601	$ 3,551,601	$ 3,551,756	$ 155	$ 155
Sales and Use	1,668,900	1,668,900	1,681,725	12,825	12,825
Other	681,805	681,805	695,061	13,256	13,256
Non-Tax:					
Fees, Licenses and Fines	46,100	46,100	49,434	3,334	3,334
Investment Income	180,000	180,000	141,947	(38,053)	(38,053)
Other	40,300	40,300	34,606	(5,694)	(5,694)
Departmental:	-				
Federal Funds	1,800,038	1,888,616	1,747,001	(53,037)	(141,615)
Local Funds	220,870	269,706	264,225	43,355	(5,481)
Inter-Agency Grants and Allocations	71,992	101,557	97,267	25,275	(4,290)
Intra-Agency Transfers	72,901	308,449	293,345	220,444	(15,104)
Sales and Services	354,263	375,069	382,431	28,168	7,362
Rental and Lease Income	4,481	4,981	4,416	(65)	(565)
Fees, Licenses and Fines	43,738	49,477	49,783	6,045	306
Contributions, Gifts and Grants	7,848	8,230	7,809	(39)	(421)
Universities	219,330	222,423	215,720	[illegible]	(6,703)
Miscellaneous	15,250	22,398	28,415	[illegible]	6,017
Total Revenues	8,979,417	9,419,612	9,244,941	265,524	(174,671)
Expenditures:					
Current:					
General Government	206,360	223,635	214,315	(7,955)	9,320
Public Safety and Regulation	300,932	314,782	301,427	(495)	13,355
Corrections	318,125	320,188	319,888	(1,763)	300
Public Education and Community Colleges	3,677,860	3,852,463	3,711,550	(33,690)	140,913
Transportation	5,878	5,878	5,878	-	-
Universities	1,400,306	1,428,714	1,378,719	21,587	49,995
Health, Welfare, and Rehabilitation	2,734,162	2,924,972	2,852,235	(118,073)	72,737
Resource Development and Preservation	340,527	352,672	311,305	29,222	41,367
Agriculture	57,040	58,700	55,215	1,825	3,485
Claims and Benefits	-	-	-	-	-
Debt Service	71,636	71,636	71,636	-	-
Capital Outlay	258,659	258,659	258,659	-	-
Total Expenditures	9,371,485	9,812,299	9,480,827	(109,342)	331,472
Excess Revenues Over (Under) Expenditures	(392,068)	(392,687)	(235,886)	156,182	156,801
Fund Balances (Budgetary Basis-All Funds) at July 1, 1988	392,935	392,935	392,935	-	-
Deduct Unbudgeted Funds at July 1, 1988	-	-	-	-	-
Add Encumbrances and Reserves Reappropriated	-	-	-	-	-
Adjusted Fund Balances (Budgetary Basis) at July 1, 1988	392,935	392,935	392,935	-	-
Fund Balances (Budgetary Basis) at June 30, 1989	$ 867	$ 248	157,049	$ 156,182	$ 156,801
Unbudgeted Funds			-		
Fund Balances (Budgeted and Unbudgeted Funds) at June 30, 1989			$ 157,049		

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-3

Budgeted Special Revenue Funds					Totals (Memorandum Only)				
			Variance-Favorable (Unfavorable)					Variance-Favorable (Unfavorable)	
Certified Budget	Final Budget	Actual (Budgetary Basis)	Certified Budget	Final Budget	Certified Budget	Final Budget	Actual (Budgetary Basis)	Certified Budget	Final Budget
$ -	$ -	$ -	$ -	$ -	$ 3,551,601	$ 3,551,601	$ 3,551,756	$ 155	$ 155
-	-	-	-	-	1,668,900	1,668,900	1,681,725	12,825	12,825
621,500	616,600	619,740	(1,760)	3,140	1,303,305	1,298,405	1,314,801	11,496	16,396
243,500	249,041	255,652	12,152	6,611	289,600	295,141	305,086	15,486	9,945
28,000	28,000	30,558	2,558	2,558	208,000	208,000	172,505	(35,495)	(35,495)
7,900	7,900	7,678	(222)	(222)	48,200	48,200	42,284	(5,916)	(5,916)
112,389	588,783	571,220	458,831	(17,563)	1,912,427	2,477,399	2,318,221	405,794	(159,178)
634	18,575	26,460	25,826	7,885	221,504	288,281	290,685	69,181	2,404
154,762	185,337	182,926	28,164	(2,411)	226,754	286,894	280,193	53,439	(6,701)
33,693	39,315	58,296	24,603	18,981	106,594	347,764	351,641	245,047	3,877
3,621	3,973	4,062	441	89	357,884	379,042	386,493	28,609	7,451
204	227	189	(15)	(38)	4,685	5,208	4,605	(80)	(603)
29,785	29,598	30,721	936	1,123	73,523	79,075	80,504	6,981	1,429
39	1,005	1,045	1,006	40	7,887	9,235	8,854	967	(381)
36,346	40,527	86,266	49,920	45,739	255,676	262,950	301,986	46,310	39,036
8,689	9,996	34,344	25,655	24,348	23,939	32,394	62,759	38,820	30,365
1,281,062	1,818,877	1,909,157	628,095	90,280	10,260,479	11,238,489	11,154,098	893,619	(84,391)
69,596	148,988	59,134	10,462	89,854	275,956	372,623	273,449	2,507	99,174
124,917	133,735	121,707	3,210	12,028	425,849	448,517	423,134	2,715	25,383
2,397	2,984	2,918	(521)	66	320,522	323,172	322,806	(2,284)	366
4	125,721	47,736	(47,732)	77,985	3,677,864	3,978,184	3,759,286	(81,422)	218,898
918,718	1,714,414	1,253,059	(334,341)	461,355	924,596	1,720,292	1,258,937	(334,341)	461,355
33,954	48,103	87,662	(53,708)	(39,559)	1,434,260	1,476,817	1,466,381	(32,121)	10,436
30,899	31,805	23,701	7,198	8,104	2,765,061	2,956,777	2,875,936	(110,875)	80,841
54,568	60,774	49,346	5,222	11,428	395,095	413,446	360,651	34,444	52,795
-	-	-	-	-	57,040	58,700	55,215	1,825	3,485
67,036	67,036	87,363	(20,327)	(20,327)	67,036	67,036	87,363	(20,327)	(20,327)
-	-	-	-	-	71,636	71,636	71,636	-	-
-	-	-	-	-	258,659	258,659	258,659	-	-
1,302,089	2,333,560	1,732,626	(430,537)	600,934	10,673,574	12,145,859	11,213,453	(539,879)	932,406
(21,027)	(514,683)	176,531	197,558	691,214	(413,095)	(907,370)	(59,355)	353,740	848,015
541,149	541,149	541,149	-	-	934,084	934,084	934,084	-	-
(196)	(196)	(196)	-	-	(196)	(196)	(196)	-	-
733,540	733,540	733,540	-	-	733,540	733,540	733,540	-	-
1,274,493	1,274,493	1,274,493	-	-	1,667,428	1,667,428	1,667,428	-	-
$ 1,253,466	$ 759,810	1,451,024	$ 197,558	$ 691,214	$ 1,254,333	$ 760,058	1,608,073	$ 353,740	$ 848,015
		164					164		
		$ 1,451,188					$ 1,608,237		

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS

For the Fiscal Year Ended June 30, 1989 (With Comparative Totals for 1988)

(Expressed in Thousands)

	Proprietary Fund Types	
	Enterprise	Internal Service
Operating Revenues:		
Sales and Services	$ 237,055	$ 120,867
Investment Earnings	87,082	20,603
Rental and Lease Earnings	4,608	898
Fees, Licenses and Fines	151	2,155
Contributions	-	101,021
Federal Grants	16,952	-
Insurance Premiums	-	367,234
Miscellaneous	12,746	1,350
Allowances and Uncollectible Accounts	(49,814)	-
Total Operating Revenues	308,780	614,128
Operating Expenses:		
Personal Services	144,295	30,252
Supplies and Materials	9,995	69,767
Services	26,865	24,989
Interest	72,270	-
Purchases for Resale	32,748	24,680
Depreciation/Amortization	16,030	13,022
Federal Grants	18,539	-
Grants to Local Governments	-	-
Claims and Benefits	-	352,635
Insurance and Bonding	-	64,423
Refund of Contributions	-	-
Other	11,867	5,398
Total Operating Expenses	332,609	585,166
Operating Income (Loss)	(23,829)	28,962
Net Nonoperating Revenues (Expenses)	918	(189)
Income (Loss) Before Operating Transfers	(22,911)	28,773
Operating Transfers:		
Operating Transfers In	35,458	57,263
Operating Transfers Out	(440)	(3,347)
Total Operating Transfers In (Out)	35,018	53,916
Net Income Before Extraordinary Loss	12,107	82,689
Extraordinary Loss (Note 3 L)	(729)	(12)
Net Income	11,378	82,677
Fund Equity - July 1 - As Previously Reported	314,564	224,025
Restatements (Note 3 B)	503	-
Residual Equity Transfers:		
Transfers Out	-	(11)
Increase in Contributed Capital	16,662	2,144
Fund Equity - June 30	$ 343,107	$ 308,835

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-4

Fiduciary Fund Types		Totals (Memorandum Only)	
Nonexpendable Trust	Pension Trust	June 30, 1989	June 30, 1988
$ -	$ -	**$ 357,922**	$ 326,060
11,803	1,309,216	**1,428,704**	1,522,595
-	-	**5,506**	3,290
886	4,549	**7,741**	9,406
91	968,116	**1,069,228**	988,113
3,085	-	**20,037**	17,712
-	-	**367,234**	294,069
-	366	**14,462**	11,572
-	-	**(49,814)**	(38,666)
15,865	2,282,247	**3,221,020**	3,134,151
6	3,757	**178,310**	164,092
-	-	**79,762**	78,999
1,173	-	**53,027**	46,789
-	-	**72,270**	69,059
-	-	**57,428**	50,149
-	-	**29,052**	28,057
-	-	**18,539**	14,588
7,020	-	**7,020**	-
-	591,052	**943,687**	821,536
-	-	**64,423**	54,033
-	63,762	**63,762**	61,915
829	-	**18,094**	15,233
9,028	658,571	**1,585,374**	1,404,450
6,837	1,623,676	**1,635,646**	1,729,701
-	-	**729**	(11)
6,837	1,623,676	**1,636,375**	1,729,690
36,451	-	**129,172**	116,876
(991)	-	**(4,778)**	(3,368)
35,460	-	**124,394**	113,508
42,297	1,623,676	**1,760,769**	1,843,198
-	-	**(741)**	(1,409)
42,297	1,623,676	**1,760,028**	1,841,789
143,210	13,305,712	**13,987,511**	12,124,029
-	-	**503**	-
-	-	**(11)**	(4,131)
-	-	**18,806**	25,824
$ 185,507	$ 14,929,388	**$ 15,766,837**	$ 13,987,511

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS

For the Fiscal Year Ended June 30, 1989 (With Comparative Totals for 1988)
(Expressed in Thousands)

	Proprietary Fund Types	
	Enterprise	Internal Service
Sources of Working Capital:		
Operations:		
Net Income Before Extraordinary Items	$ 12,107	$ 82,689
Items Not Requiring (Providing) Working Capital:		
Depreciation/ Amortization	16,030	13,022
(Gain) Loss on Sale or Transfer of Fixed Assets	175	532
Working Capital Provided by Operations Before Extraordinary Items	28,312	96,243
Extraordinary Items	(729)	(12)
Working Capital Provided by Operations	27,583	96,231
Proceeds from Sale of Bonds	140,620	-
Proceeds from Sale of Investments	18,663	-
Principal Collections on Loans	43,224	-
Other Sources	16,812	4,427
Total Sources of Working Capital	246,902	100,658
Uses of Working Capital:		
Acquisition of Fixed Assets	30,096	22,337
Purchase of Investments	25,376	-
Purchase of Mortgage Loans Receivable	131,371	-
Retirement of Bonds	56,441	1,350
Issuance of Student Loans	-	-
Other Uses	2,074	3,369
Total Uses of Working Capital	245,358	27,056
Net Increase in Working Capital	$ 1,544	$ 73,602
Elements of Net Increase (Decrease) In Working Capital:		
Cash and Cash Equivalents	$ 17,699	$ 27,245
Investments	(894)	44,696
Receivables	3,503	3,747
Interfund Receivables	-	(2,138)
Notes Receivable	31	-
Inventories	(237)	(366)
Prepaid Items	63	13
Payables	(1,460)	3,401
Interfund Payables	683	627
Notes Payable	121	18
Claims and Benefits Payable	(852)	(3,516)
Capital Leases Payable	(107)	1,729
Bonds Payable	(1,395)	65
Interest Payable	(11,795)	50
Deposits Payable	508	(4)
Accrued Vacation Leave	(416)	(776)
Deferred Revenue	(3,908)	(1,189)
Net Increase in Working Capital	$ 1,544	$ 73,602

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-5

Fiduciary Fund Types		Totals (Memorandum Only)	
Nonexpendable Trust	Pension Trust	June 30, 1989	June 30, 1988
$ 42,297	$ 1,623,676	**$ 1,760,769**	$ 1,843,198
-	-	**29,052**	28,303
-	-	**707**	294
42,297	1,623,676	**1,790,528**	1,871,795
-	-	**(741)**	(1,409)
42,297	1,623,676	**1,789,787**	1,870,386
-	-	**140,620**	77,339
68,923	-	**87,586**	143,488
7,800	-	**51,024**	53,187
25	-	**21,264**	31,703
119,045	1,623,676	**2,090,281**	2,176,103
-	-	**52,433**	49,196
94,204	-	**119,580**	73,298
-	-	**131,371**	123,041
-	-	**57,791**	88,593
-	-	**-**	3,786
-	-	**5,443**	12,088
94,204	-	**366,618**	350,002
$ 24,841	$ 1,623,676	**$ 1,723,663**	$ 1,826,101
$ 14,784	$ 34,110	**$ 93,838**	$ 97,949
5	1,582,572	**1,626,379**	1,740,509
1,215	6,999	**15,464**	22,234
1,359	-	**(779)**	2,817
7,469	-	**7,500**	476
-	-	**(603)**	5,733
-	-	**76**	(170)
8	(1)	**1,948**	(10,214)
1	-	**1,311**	306
-	-	**139**	(16)
-	(4)	**(4,372)**	(19,212)
-	-	**1,622**	(1,089)
-	-	**(1,330)**	(2,155)
-	-	**(11,745)**	(5,881)
-	-	**504**	(4,777)
-	-	**(1,192)**	(1,386)
-	-	**(5,097)**	977
$ 24,841	$ 1,623,676	**$ 1,723,663**	$ 1,826,101

COMBINED STATEMENT OF CHANGES IN FUND EQUITY ALL UNIVERSITY FUND TYPES

For the Fiscal Year Ended June 30, 1989 (With Comparative Totals for 1988)

Exhibit A-6

(Expressed in Thousands)

	University Fund Types			Totals (Memorandum Only)	
	Current	Fiduciary	Plant	June 30, 1989	June 30, 1988
Revenues and Other Additions:					
Tuition and Fees	$ 201,496	$ -	$ 2,592	$ 204,088	$ 187,746
Federal Appropriations	18,593	-	-	18,593	17,758
Federal Contracts and Grants	256,489	963	1,943	259,395	219,947
State Contracts and Grants	27,472	-	-	27,472	21,864
Local Contracts and Grants	915	-	-	915	1,013
Private Gifts, Contracts and Grants	107,001	10,510	8,107	125,618	91,959
Endowment Income	12,625	79	-	12,704	14,770
Sales and Services	373,956	-	-	373,956	356,387
Investment Earnings	29,157	3,498	11,177	43,832	42,723
Realized Gain on Sale of Investments	-	7,548	26	7,574	7,638
Expended for Plant Facilities	-	-	222,189	222,189	192,517
Retirement of Indebtedness	-	-	12,580	12,580	14,066
Other Revenues and Additions	18,717	596	10,224	29,537	31,646
Total Revenues and Other Additions	1,046,421	23,194	268,838	1,338,453	1,200,034
Expenditures and Other Deductions:					
Educational and General:					
Instruction	636,945	-	-	636,945	609,048
Organized Research	204,666	-	-	204,666	184,101
Public Service	135,231	-	-	135,231	138,844
Academic Support	146,581	-	-	146,581	112,706
Student Services	40,077	-	-	40,077	37,574
Institutional Support	124,145	-	-	124,145	109,140
Physical Plant Operations	126,554	-	-	126,554	118,722
Student Financial Aid	121,657	-	-	121,657	110,571
Total Educational and General	1,535,856	-	-	1,535,856	1,420,706
Auxiliary Enterprises	220,885	-	-	220,885	260,276
Internal Service	25,672	-	-	25,672	22,970
Independent Operations	12,340	-	-	12,340	11,462
Professional Clinical Services	82,527	-	-	82,527	21,818
Indirect Cost Recovered	40,212	-	-	40,212	27,293
Refunded to Grantors	320	-	-	320	199
Administrative and Collection Costs, Loan Cancellation, and Bad Debts	-	3,046	-	3,046	3,497
Realized Loss on Sale of Investments	1,066	393	331	1,790	510
Expended for Plant Facilities	-	-	140,354	140,354	118,944
Retirement of Indebtedness	-	-	19,204	19,204	11,491
Interest on Indebtedness	-	-	20,024	20,024	17,428
Disposal of Plant Facilities	-	-	21,966	21,966	18,153
Other Expenditures and Deductions	4,511	-	944	5,455	7,805
Total Expenditures and Other Deductions	1,923,389	3,439	202,823	2,129,651	1,942,552
Transfers-Additions (Deductions):					
Intrainstitutional Transfers:					
Mandatory Transfers	(22,633)	50	27,598	5,015	(19,449)
Non-Mandatory Transfers	(20,527)	5,123	6,935	(8,469)	34,701
Interinstitutional Transfers	(359)	-	4,031	3,672	(15,282)
Operating Transfers In	959,386	-	97,377	1,056,763	981,258
Net Transfers	915,867	5,173	135,941	1,056,981	981,228
Net Increase in Fund Equity	38,899	24,928	201,956	265,783	238,710
Fund Equity - July 1 - As Previously Reported	276,827	264,534	2,319,055	2,860,416	2,617,575
Restatements (Note 3 B)	6,958	566	(1,158)	6,366	-
Residual Equity Transfers	-	-	-	-	4,131
Fund Equity- June 30	$ 322,684	$ 290,028	$ 2,519,853	$ 3,132,565	$ 2,860,416

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND TRANSFERS ALL UNIVERSITY CURRENT FUNDS

For the Fiscal Year Ended June 30, 1989

Exhibit A-7

(Expressed in Thousands)

	Unrestricted				Totals
	General	Proprietary	Total	Restricted	June 30, 1989
Revenues:					
Tuition and Fees	$ 162,463	$ 39,033	$ 201,496	$ -	$ 201,496
Federal Appropriations	18,593	-	18,593	-	18,593
Federal Contracts and Grants	36,962	-	36,962	182,701	219,663
State Contracts and Grants	1,435	-	1,435	21,572	23,007
Local Contracts and Grants	58	-	58	882	940
Private Gifts, Contracts and Grants	9,458	2,732	12,190	86,161	98,351
Endowment Income	1,773	3	1,776	5,443	7,219
Sales and Services	30,982	341,282	372,264	452	372,716
Investment Earnings	9,883	12,762	22,645	529	23,174
Other Revenues	7,779	2,600	10,379	7,426	17,805
Total Current Revenues	279,386	398,412	677,798	305,166	982,964
Expenditures:					
Educational and General:					
Instruction	600,583	-	600,583	36,362	636,945
Organized Research	67,431	-	67,431	137,235	204,666
Public Service	104,816	-	104,816	30,415	135,231
Academic Support	116,525	-	116,525	30,056	146,581
Student Services	38,252	-	38,252	1,825	40,077
Institutional Support	120,812	-	120,812	3,333	124,145
Physical Plant Operations	125,974	-	125,974	580	126,554
Student Financial Aid	56,297	-	56,297	65,360	121,657
Total Educational and General	1,230,690	-	1,230,690	305,166	1,535,856
Auxiliary Enterprises	-	220,885	220,885	-	220,885
Internal Service	-	25,672	25,672	-	25,672
Independent Operations	-	12,340	12,340	-	12,340
Professional Clinical Services	-	82,527	82,527	-	82,527
Realized Loss on Sale of Investments	1,064	-	1,064	-	1,064
Other Expenditures and Deductions	548	3,963	4,511	-	4,511
Total Expenditures	1,232,302	345,387	1,577,689	305,166	1,882,855
Transfers and Additions/(Deductions):					
Excess of Restricted Receipts over Transfers to Revenues	-	-	-	23,243	23,243
Refund to Grantors	-	-	-	(320)	(320)
Mandatory Transfers	(4,439)	(18,085)	(22,524)	(109)	(22,633)
Non-Mandatory Transfers	(4,041)	(12,795)	(16,836)	(3,691)	(20,527)
Interinstitutional Transfers	1,462	-	1,462	(1,821)	(359)
Operating Transfers In	959,386	-	959,386	-	959,386
Net Increase (Decrease) in Fund Equity	$ (548)	$ 22,145	$ 21,597	$ 17,302	$ 38,899

The accompanying Notes to the Financial Statements are an integral part of this statement.

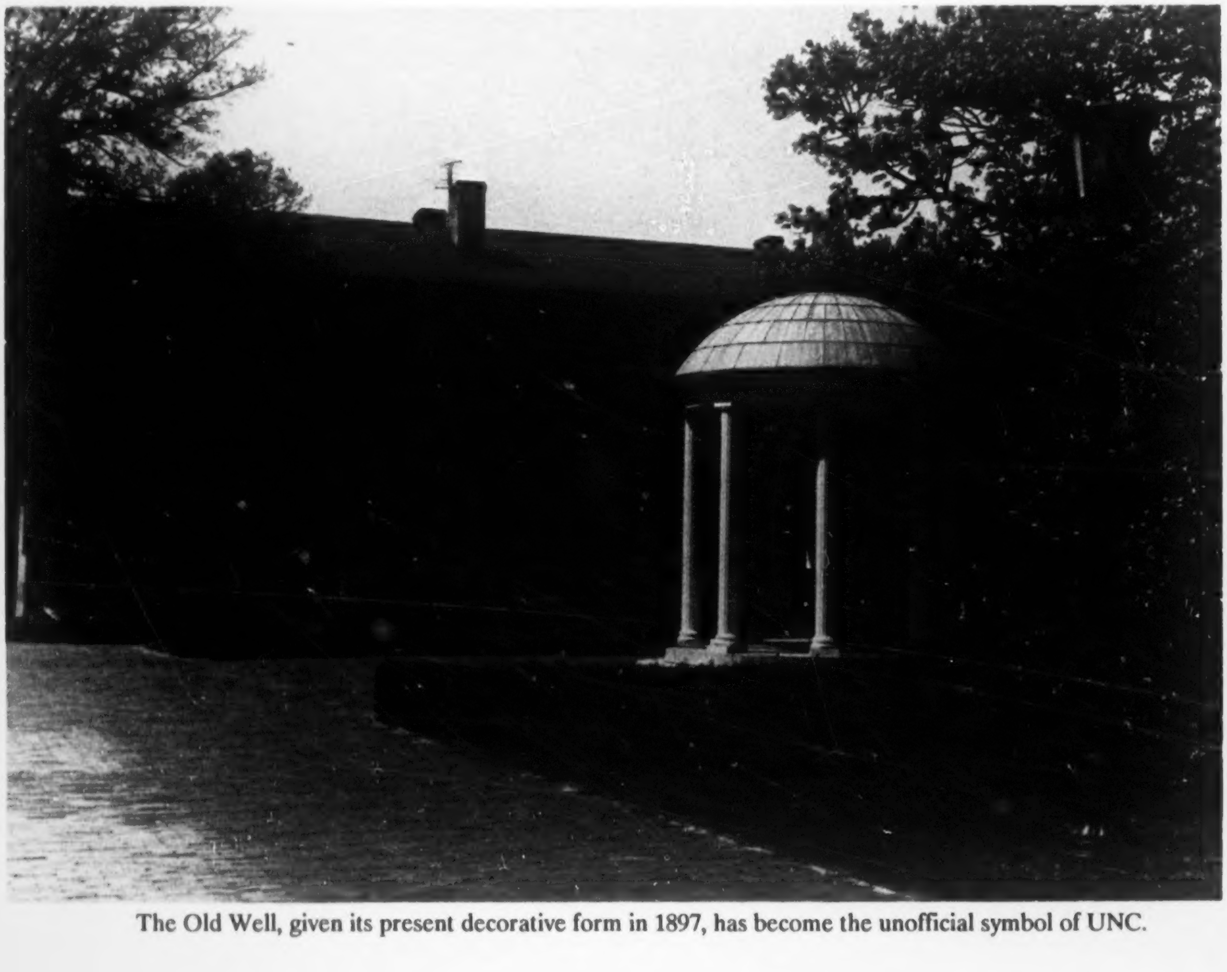
UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

The University of North Carolina at Chapel Hill is the nation's first state chartered university (1789) and the only public university in the nation to award degrees to students in the 18th century. Its 14 colleges and schools provide instruction in more than 100 fields, offering 67 bachelor's, 61 doctoral and four professional degrees. Enrollment at UNC exceeds 22,000 students.

The quality of the education the University offers continues to receive national acclaim. *U.S. News and World Report* magazine ranked Carolina as one of the nation's top major universities in a 1987 survey of college presidents. UNC was ranked 11th among major research universities that are the leading granters of doctoral degrees and was one of only three public schools at the top of the list. The University receives over $100 million in research funding each year. The same survey ranked the Graduate School of Business Administration 17th in the nation.

During 1985, Richard Moll, author of *The Public Ivys: A Guide to America's Best Colleges and Universities*, cited UNC as one of eight public institutions in the nation equivalent to a traditional Ivy League school.

UNC offers an extensive portfolio of programs for the private sector. UNC offers open enrollment programs, where individuals are sponsored by their companies for training. No degrees are given and the individuals are chosen to attend by employers. Such training is sponsored mainly for young and senior executives. Some of UNC's biggest clients are those businesses located in the Research Triangle Park.



The Old Well, given its present decorative form in 1897, has become the unofficial symbol of UNC.

NOTES TO THE FINANCIAL STATEMENTS

Index

Note 1 - Significant Accounting Policies 44

Note 2 - Stewardship, Compliance and Accountability 50

Note 3 - Detail Notes on All Funds and Account Groups
- A. Fund Reclassifications 50
- B. Fund Equity Restatement 50
- C. Reserved Fund Balances 51
- D. Reconciliation of Budget/GAAP Reporting Differences 52
- E. Deposits and Investments 52
- F. Receivables 55
- G. Changes in General Fixed Assets 55
- H. Summary of Proprietary Funds' and University Funds' Fixed Assets 56
- I. Accumulated Unpaid Vacation and Sick Leave 56
- J. Construction Committments 56
- K. Lease Obligations 56
- L. Long-Term Obligations 57
- M. Risk Management 60

Note 4 - Pension Plans 61

Note 5 - Segment Information for Proprietary Funds 69

Note 6 - Commitments and Contingencies 71

Note 7 - Subsequent Events 72

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the State of North Carolina have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). The financial statements of the University Funds have been prepared in conformity with generally accepted accounting principles for colleges and universities as prescribed by the National Association of College and University Business Officers (NACUBO) and the American Institute of Certified Public Accountants (AICPA).

The financial statements are presented as of and for the fiscal year ended June 30, 1989, except for the USS North Carolina Battleship Commission whose statements are as of and for the fiscal year ended September 30, 1988 and the North Carolina Deferred Compensation Plan whose statements are as of and for the calendar year ended December 31, 1988.

B. FINANCIAL REPORTING ENTITY

For financial reporting purposes the State of North Carolina entity includes all fund types, account groups, departments and agencies of the State, as well as universities and boards, commissions, and authorities, over which the State's executive, legislative and judicial branches exercise oversight responsibility. This is in conformity with the guidelines issued by the Governmental Accounting Standards Board in their GASB Codification Section 2100.

The criteria for including an organization in the State's reporting entity are determined on the basis of accountability for fiscal matters, designation of management, ability to significantly influence operations, selection of governing authority, scope of public service and any special relationships.

Based on the application of the GASB Codification Section 2100 criteria, the following organizations, in addition to those mentioned above, meet the oversight criteria and are included in the accompanying financial statements:

USS North Carolina Battleship Commission
  (*Enterprise Fund*)
North Carolina State Ports Authority
  (*Enterprise Fund*)
North Carolina Ports Railway Commission
  (*Enterprise Fund*)
North Carolina Housing Finance Agency
  (*Enterprise Fund*)
Insured Student Loan Program
  (*Nonexpendable Trust Fund*)
North Carolina Deferred Compensation Plan
  (*Agency Fund*)

The following significant organizations have been determined not to be a part of the reporting entity after applying the manifestations of oversight, scope of public service, or special financing relationships criteria of GASB Codification Section 2100 and are, therefore, excluded from the accompanying financial statements because, except for fiduciary responsibilities in some instances, the State does not control the assets, operations or management of the respective entities:

- Community Colleges (other than State aid)
- Local School Administrative Units (other than State aid)
- Local Alcohol and Beverage Control (ABC) Boards and Stores
- North Carolina Biotechnology Center
- North Carolina Microelectronics Center
- *State Licensing Boards:*
  - Architecture Board
  - Auctioneers Commission
  - Barber Examinations
  - Certified Public Accountant Examiners
  - Chiropractic Examiners
  - Contractor's Licensing Board
  - Cosmetic Arts Examiners
  - Electrical Contractors Examiners
  - Forester's Registration Board
  - Hearing Aid Dealers and Fitters Board
  - Landscape Architects Board
  - Landscape Contractor's Registration Board
  - Marital and Family Therapy Certification Board
  - Board of Mortuary Science
  - Nursing Home Administrators Licensing Board
  - Opticians Board
  - Optometry Board
  - Osteopathic Examination and Registration
  - Pharmacy Board
  - Physical Therapy Examiners
  - Plumbing and Heating Contractors Examiners
  - Practicing Psychologists Board
  - Real Estate Licensing Board
  - Refrigeration Examiners
  - Sanitarian Examiners
  - Speech, Language Pathologists and Audiologists Board of Examiners

NOTES TO THE FINANCIAL STATEMENTS

State Board of Registration for Professional
Engineers/Land Surveyors
Veterinary Medical Board

C. FUND ACCOUNTING

The financial activities of the State are organized on a basis of individual funds and account groups, each of which is a separate accounting entity segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. The financial activities of the State accounted for in the accompanying financial statements have been classified into the following fund categories and account groups:

1. *Governmental Funds*

Governmental funds are those through which most governmental functions of the State are financed. The acquisition, use and balances of the State's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income determination.

The following are the State's governmental funds:

GENERAL FUND. All financial resources received and used for services traditionally provided by a state government and not required to be accounted for in other funds are accounted for in the general fund. These services include general government; public safety and regulation; education (other than institutions of higher education); health, welfare and rehabilitation; resource development and preservation; and agriculture.

SPECIAL REVENUE FUNDS. Transactions related to resources obtained from specific revenue sources (other than for expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes are accounted for in special revenue funds. Special revenue funds account for highway maintenance and construction, activities funded by the issuance of general obligation bonds and other resources restricted as to purpose.

DEBT SERVICE FUNDS. Transactions related to resources obtained and accumulated to pay interest and principal on general long-term obligations (other than capital leases, compensated absences and unfunded retirement costs) are generally accounted for in debt service funds.

CAPITAL PROJECTS FUNDS. Transactions related to resources obtained and used for the acquisition, construction or improvement of major governmental general fixed assets are accounted for in the capital projects funds. Such resources are derived principally from operating transfers from the General Fund.

2. *Proprietary Funds*

Proprietary funds are used to account for the State's ongoing activities, which are similar to those often found in the private sector. The proprietary fund measurement focus is upon determination of net income, financial position, and changes in financial position. The generally accepted accounting principles used are those applicable to similar businesses in the private sector; thus, these funds are reported on the accrual basis of accounting. The following are the State's proprietary funds.

ENTERPRISE FUNDS. Enterprise funds account for operations of State government that are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. The acquisition, maintenance and improvement of physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds , Federal grants and other State funds.

INTERNAL SERVICE FUNDS. Internal service funds account for the operations of State agencies that provide services to other State agencies, departments or other governmental units on a cost reimbursement basis.

3. *Fiduciary Funds*

Fiduciary funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following are the State's fiduciary funds.

NOTES TO THE FINANCIAL STATEMENTS

TRUST FUNDS

EXPENDABLE. Expendable trust funds account for assets held by the State in a trustee capacity where the principal and income may be expended in the course of the funds' designated operations.

NONEXPENDABLE. Nonexpendable trust funds account for assets held by the State in a trustee capacity where only income derived from the principal may be expended in the course of the funds' designated operations. The principal must be preserved intact.

PENSION. Pension trust funds account for transactions, assets, liabilities, and net assets available for plan benefits of the various State public employee retirement systems.

AGENCY FUNDS

Agency funds account for the various taxes, deposits, deductions, and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

4. *Account Groups*

Account groups are used to establish accounting control and accountability for the State's general fixed assets and general long-term obligations and do not involve measurement of operations.

GENERAL FIXED ASSETS ACCOUNT GROUP. This account group is established to account for fixed assets acquired for general government purposes, except those accounted for in proprietary funds or university funds. General fixed assets do not represent financial resources available for appropriation and expenditure.

GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP. This account group is established to account for the unmatured principal of the State's general long-term debt and other long-term obligations of governmental funds. The unmatured principal of general long-term debt and other long-term obligations does not require current appropriation and expenditure of governmental fund financial resources.

5. *University Funds*

University funds account for the operations of State universities in accordance with existing authoritative accounting and reporting principles applicable to universities. Accordingly, the university funds are an aggregation of the following funds:

CURRENT FUNDS. Current funds account for economic resources of the institutions, which are expendable for any purpose in performing the primary objectives of the institutions and which have not been designated by the governing body for any other purposes. Resources restricted for specific current operating purposes by a donor or other external agency are accounted for as restricted current funds.

FIDUCIARY FUNDS

LOAN. Loan funds account for resources available for loans to students, staff and faculty.

ENDOWMENT. Endowment and similar funds are similar to trust funds in that they must be administered in accordance with the terms of the applicable agreements.

AGENCY. Agency funds are those funds of students and organizations held by the universities as custodian.

PLANT FUNDS. Plant funds consist of resources available to acquire or repair institutional properties, to service debt incurred to acquire such properties and the cost of fixed assets and the sources from which the cost is funded, including associated liabilities. The plant funds resources and activities are accounted for in three sub-groups: Unexpended, Debt Service and Investment in Plant.

D. BASIS OF ACCOUNTING

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources)

NOTES TO THE FINANCIAL STATEMENTS

and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds, nonexpendable trust and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of proprietary funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary funds and similar trust funds operating statements present increases (revenues) and decreases (expenses) in net total assets.

Governmental Funds, Expendable Trust Funds and Agency Funds

The accounts of the general, special revenue, debt service, capital projects, expendable trust and agency funds are reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end. Material revenues susceptible to accrual include federal grants. Expenditures and other uses of financial resources are recognized when the related liability is incurred, except for items that are not planned to be liquidated with expendable available resources, such as the long-term portion of the liability for compensated absences and capital lease obligations.

Other modifications to the accrual basis of accounting include:

Inventories generally are considered expenditures at acquisition;
Prepayments usually are not capitalized; and,
Principal and interest on long-term debt are recorded when due.

Proprietary, Nonexpendable Trust and Pension Trust Funds

The accounts of the enterprise, internal service, nonexpendable trust and pension trust funds are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

University Funds

The accounts of the university funds are reported using the accrual basis of accounting with the following exceptions:

Depreciation expense related to plant fund assets is not recorded; and,
Revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the program is predominantly conducted.

E. BUDGETARY PROCESS

The State of North Carolina operates on a biennial budget cycle with departmental certified budgets adopted on the cash basis of accounting for the general, certain special revenue, and capital projects funds. Separate budgets are adopted by the General Assembly for each year, except for the capital projects funds and special revenue bond funds, which are budgeted on a project basis. These funds are, therefore, not included on the budgetary comparison statements. Since the budget basis differs from generally accepted accounting principles (GAAP), actual amounts in the accompanying budgetary comparison statements are presented on the budgetary basis. A reconciliation between the budgetary basis and the GAAP basis is presented in Note 3 D.

Budgetary control is exercised at the departmental and university level. The "Certified Budget" is the legal expenditure authority created by the appropriation bills which are passed into law by the N. C. General Assembly. The departments and universities are permitted to overexpend their "Certified Budget", within prescribed guidelines, as authorized by the General Assembly and approved by the Office of State Budget and Management (OSBM). The "Certified Budget" plus the approved amount to overexpend results in the "Final Budget" for each department and university as presented in the accompanying financial statements. In certain emergency situations, the OSBM, with Council of State approval, may allot additional funds from the contingency and emergency appropriation reserves. Appropriations lapse at the end of each fiscal year.

An encumbrance system is maintained by most state departments to account for commitments resulting from approved purchase orders, work orders and contracts. Encumbrances at year-end represent the estimated amount of expenditures ultimately to result if unperformed contracts and open purchase orders in process are completed. Encumbrances at year-end do not constitute expenditures or liabilities. Encumbrances outstanding at year-end for unfulfilled obligations of the current year budget are re-established in the succeeding year and expended from that year's appropriations.

NOTES TO THE FINANCIAL STATEMENTS

Detailed appropriation and departmental budget information is available through the Office of State Budget and Management, 116 West Jones Street, Raleigh, N. C. 27603.

F. CASH AND CASH EQUIVALENTS

This classification includes undeposited receipts, petty cash, bank accounts, certificates of deposit and pooled cash accounts (Short-Term Investment Pool and Liquid Asset Pool) managed by the State Treasurer.

G. INVESTMENTS

This classification includes long-term pooled investments stated at cost and long-term non-pooled investments that are stated at cost or amortized cost. Investments of the State's Deferred Compensation Plan (*Agency Fund*) are valued at market value. Note 3 E provides a detailed listing of the types of investments that State law allows.

H. RECEIVABLES AND INTERFUND RECEIVABLES

Receivables in the State's governmental and fiduciary funds consist primarily of tax, interest and federal revenues. Receivables in proprietary and university funds occur in the normal course of business.

Interfund receivables consist of transfers between fund types and State departments within State Government. Operating transfers, reimbursements and residual equity transfers are classified in this account.

I. INVENTORIES

Inventories, consisting of materials and supplies, are valued at cost on the first-in, first-out basis for all governmental and most university funds, except for the Special Revenue-Highway Fund maintenance and construction inventories which are valued on a moving weighted average basis. Inventories of proprietary funds are valued on the moving weighted average basis. Some university book stores utilize the retail inventory method.

Except for the Special Revenue - Highway Fund, the cost of inventory items in governmental funds is recorded as an expenditure when purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The proprietary, university and the Special Revenue - Highway Fund maintenance and construction inventories are recognized as expenditures when consumed.

J. PROPERTY, PLANT AND EQUIPMENT

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. For financial reporting purposes, depreciation is not recorded on general fixed assets. Fixed assets of the proprietary funds are capitalized in the fund in which they are utilized and are depreciated either on the straight line basis or on the units of output basis over their useful lives. Fixed assets of universities are capitalized in the university funds. Depreciation is not provided on these assets.

Fixed assets are stated at historical cost or, in some instances, estimated historical cost. Donated fixed assets are stated at fair market value at the time of donation. The State capitalizes all fixed assets which have a value or cost in excess of $500 at the date of acquisition and have an expected useful life of two or more years.

Public domain ("infrastructure") general fixed assets consisting of highways, bridges, highway lands and rights-of-way are not capitalized, as these assets are immovable and of value only to the government.

The depreciation methods and estimated lives used by proprietary funds are:

	Method	*Estimated Useful Life*
Machinery and Equipment	Straight-Line	3-20 years
Motor Vehicles and Motorized Equipment	Straight-Line or Units of Output	3-10 years
Buildings and Fixed Equipment	Straight-Line	20-50 years
Other Structures and Improvements	Straight-Line	20-50 years

K. LEASE OBLIGATIONS

Assets acquired under capital leases are generally valued at the present value of the lease payments. Capital leases of governmental funds are reported in the general long-term obligations account group and the related assets are reported in the general fixed assets account group. Capital

NOTES TO THE FINANCIAL STATEMENTS

leases for proprietary funds and university funds are reported in those funds, along with the related assets.

GASB Codification Section L20 and the Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, issued by the Financial Accounting Standards Board (FASB), establish requirements for lease obligations. Leases meeting the standards of FASB 13 have been capitalized and are reported as capital leases payable. Other leases are accounted for as operating leases and are not recorded on the balance sheet. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred. Refer to Note 3 K for specific disclosures on lease obligations.

All leases of the State contain appropriation clauses indicating that continuation of the lease is subject to continued funding by the Legislature. For reporting purposes, leases are fully disclosed since cancellation due to lack of appropriation is deemed unlikely.

L. COMPENSATED ABSENCES

The State has adopted the accounting and reporting principles outlined in GASB Codification Section C60 regarding employee vacation leave. Since unpaid vacation leave will not be liquidated with expendable available financial resources, the State's liability for long-term accumulated unpaid vacation leave is reported in the accompanying General Long-Term Obligations Account Group for all governmental funds. There is no liability in the accompanying financial statements for unpaid accumulated sick leave because the State has no obligation to pay sick leave upon employee termination or retirement. In the proprietary funds and university funds, the liability for accumulated unpaid vacation leave is reported as a current liability. For the same reasons as cited for governmental funds, no liability for unpaid accumulated sick leave is recorded. Although these funds are proprietary in nature, the ultimate liability for unpaid vacation and sick leave rests with the State as a whole. Note 3 I discloses the amount of the contingent liability for unpaid vacation leave.

In all governmental funds, except for the Special Revenue-Highway Fund, the expenditure for compensated absences (vacation and sick leave) is recorded when the leave is taken. In the Highway Fund, vacation and sick leave is recorded as earned, for those employees whose time is chargeable to federal participation projects. The expenditure for compensated absences for all other Highway employees follow the governmental funds' policy described above.

In proprietary funds the expense for vacation leave is recorded when the leave is earned. In university funds a year-end adjustment is recorded to reflect the current year's vacation leave expense. The expense for sick leave is recorded when the leave is taken in both proprietary and university funds.

M. LONG-TERM LIABILITIES

Long-term liabilities expected to be financed from governmental funds are accounted for in the general long-term obligations account group. Expenditures for principal and interest payments, for governmental fund general obligation bonds and revenue bonds, are recognized in the Debt Service Fund when due. Long-term liabilities expected to be financed from the proprietary funds and the university funds, as well as the related interest payments, are accounted for in those funds.

N. FUND EQUITY

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from other funds. Fund balance reserved/restricted represents that portion of fund balance not available for appropriation or legally segregated for a specific future use. Designations of unreserved fund balances indicate the State's tentative plans for use of financial resources in a future period. Refer to Note 3 C for disclosure on reserves and designations.

O. REVENUES

Taxes. Income tax revenues are self-assessed by taxpayers and recognized as revenue by the State when cash is received. However, if taxpayer liability and collectibility can be clearly established, as when tax returns have been filed but collection is delayed, a receivable is recorded; revenue is then accrued if available to pay current-period liabilities, or otherwise deferred until collection is made. Sales taxes collected by merchants but not yet required to be remitted to the State by the end of the fiscal year are not accrued. Sales tax revenues are recognized when cash is received.

Federal Grant Revenues. Federal grants are recorded as receivables and as revenues when the related expenditures are incurred. Grants received before the revenue recognition criteria have been met are reported as deferred revenue.

NOTES TO THE FINANCIAL STATEMENTS

P. INTERFUND TRANSACTIONS

During the course of normal operations, the State has numerous transactions between and within fund types, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers, except for retirement contributions made by the State which are accounted for as revenues in the pension trust funds and expenditures/ expenses in the contributing funds. All intrafund transactions included in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances have not been eliminated and interfund receivables/ payables included in the Combined Balance Sheet do not reconcile because an accounting mechanism to assure proper recordation is not in place. Therefore, contrary to generally accepted accounting principles, operating transfers and interfund receivables/payables are misstated by an amount not readily determinable, and detailed note disclosure of interfund receivables/payables balances is not reported.

Internal service funds record charges for services to all State funds as operating revenue. All State funds record these payments to the internal service funds as current expenditures/operating expenses.

Q. TOTALS - MEMORANDUM ONLY

The "*Totals - Memorandum Only*" column represents an aggregation of the individual combined financial statements. The *Totals* column is presented for overview informational purposes and does not represent consolidated financial information.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. RETAINED EARNINGS / FUND BALANCE DEFICIT IN PRIOR YEAR

At the end of fiscal year 1988, the State Health Plan (internal service fund) had a $16.98 million fund balance deficit, which resulted from recording in 1987-88 a $66.32 million liability for claims incurred but not paid in fiscal year 1988. The liability was determined by the Plan's actuary. Results of operations in fiscal year 1989 erased the deficit, leaving a positive fund balance of $14.91 million at June 30, 1989.

NOTE 3: DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. FUND RECLASSIFICATIONS

The accounting and reporting treatment applied to funds is determined by their measurement focus. The Highway Equipment Fund was reclassified in 1989 from an internal service fund to the Special Revenue - Highway Fund in order to reflect its proper measurement focus. *"Totals - Memorandum Only"* amounts for 1988 have been restated to conform to the 1989 presentation. The fund balance that was reclassified is disclosed in Note 3 B.

B. FUND EQUITY RESTATEMENT

Fund equity as of July 1, 1988 has been restated for certain accounting changes to conform to generally accepted accounting principles. Adjustments due to prior year accruals resulted from correcting errors in recognizing accruals of revenues and expenditures/expenses for the fiscal year ended June 30, 1988.

These changes, along with the fund reclassifications discussed in Note 3 A, have been reported in the accompanying financial statements by restating beginning fund equity.

NOTES TO THE FINANCIAL STATEMENTS

The changes in fund equity at July 1, 1988 are (expressed in thousands):

	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Expendable Trust	University Funds Current	University Funds Fiduciary	University Funds Plant
Balances as previously reported at June 30, 1988	$541,429	$654,699	$147,226	$314,564	$315,071	$1,568,660	$276,827	$264,534	$2,319,055
Fund reclassifications	-	91,046	-	-	(91,046)	-	-	-	-
Adjustment from accrual to modified accrual	-	(67,786)	-	-	-	-	-	-	-
June 30, 1988 balances after reclassifications	541,429	677,959	147,226	314,564	224,025	1,568,660	276,827	264,534	2,319,055
Prior year adjustments and restatements	56	(203)	(10)	503	-	(9)	6,958	566	(1,158)
Balances as restated at July 1, 1988	$541,485	$677,756	$147,216	$315,067	$224,025	$1,568,651	$283,785	$265,100	$2,317,897

C. RESERVED FUND BALANCES

The State's Reserved Fund Balances at June 30, 1989 are (expressed in thousands):

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Totals
Inventories	$ 29,658	$ 6,023	$ -	$ 35,681
Clean water projects	14,971	-	-	14,971
Energy conservation	30,103	-	-	30,103
War memorial	295	-	-	295
Marine Center stores	32	-	-	32
Library construction	14	-	-	14
Investments:				
Venture capital	19,142	9,369	-	28,511
N.C. Railroad stock	5,235	-	-	5,235
Vacation, sick leave	-	41,750	-	41,750
Debt service	-	-	1,610	1,610
Building renovation	-	388	-	388
Public School Building Capital Needs		25,341		25,341
Critical School Facility Needs		25,259		25,259
Other reserves	4,142	4,343	-	8,485
Total Fund Balances Reserved	$103,592	$112,473	$1,610	$217,675

	Fiduciary Funds			
	Expendable Trust	Non-expendable Trust	Pension Trust	Totals
Inventories	$ 780	$ -	$ -	$ 780
Claims and benefits	1,707,248	-	-	1,707,248
Retirement systems	-	-	14,929,388	14,929,388
Loan programs	46,824	136,792	-	183,616
Refunds	9,569	-	-	9,569
Other reserves	15,219	48,715	-	63,934
Total Fund Balances Reserved	$1,779,640	$185,507	$14,929,388	$16,894,535

	University Funds			
	Current	Fiduciary	Plant	Totals
Loans	$ -	$ 75,337	$ -	$ 75,337
Endowments	-	214,691	-	214,691
Revenue bond retirement	-	-	30,868	30,868
Restricted funds	99,092	-	-	99,092
Repairs	-	-	1,550	1,550
Other reserves	1	-	4,950	4,951
Total Fund Balances Reserved	$99,093	$290,028	$37,368	$426,489

D. RECONCILIATION OF BUDGET/GAAP REPORTING DIFFERENCES

The accompanying *Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - General and Special Revenue Funds* (Exhibit A-3) presents comparisons of the legally adopted budget (more fully described in Note 1 E) with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resulting basis, perspective, entity and timing differences in the fund balances (budgetary basis) at June 30, 1989 to the fund balances on a modified accrual basis (GAAP) is presented below (expressed in thousands):

	General Fund	*All Special Revenue Funds*
Fund Balance (Budgetary Basis), June 30, 1989	**$ 157,049**	**$ 1,451,188**
Reconciling Adjustments:		
Accrued revenues	456,227	32,511
Accrued expenditures	(484,682)	(92,868)
Fund reclassifications	45,125	59,388
Authorized carryforward of appropriated funds	44,957	726
Highway Fund Contingent Assets	-	(843,829)
Reserved for Inventories	29,658	6,023
Other reserves	5,235	97,082
Fund Balance (GAAP Basis), June 30, 1989	**$ 253,569**	**$ 710,221**

Highway Fund Contingent Assets represent Federal aid allocations for contracts which may or may not have been let. The full amount of the allocations are recorded as revenue (budgetary basis) but amounts not yet earned are classified as Contingent Assets and deducted from revenue in the GAAP basis financial statements.

As discussed in Note 6 I, the fund balances (budgetary basis) at June 30, 1989 for the General Fund and Highway Fund (Special Revenue Fund) include $19,141,780 and $9,369,220 (expressed in whole dollars), respectively, which are not available for appropriations or other expenditures.

E. DEPOSITS AND INVESTMENTS

The State maintains a cash and investment pool under the control of the State Treasurer, that is available for use by all agencies. These funds are pooled into a general account from which investments are made in a variety of instruments. The amounts shown on the combined balance sheet as Cash and Cash Equivalents and as Investments are the balances as recorded in the State Accounting System. The balances shown in the following sections as Demand and Time Deposits and Investments reflect the manner of investment of available funds in the State's central cash and investment pool, in order to disclose the collateralization and level of risk associated with those funds.

In addition to the cash and investment pool, other funds are directly controlled by the various state departments and institutions and are included in the accounts discussed above.

Demand and Time Deposits

Deposits to the accounts of the State Treasurer may be made in any bank, savings and loan association or trust company in the State approved by the State Treasurer. Depositories are required, in accordance with the rules in 20 NCAC 7 (North Carolina Administrative Code), to collateralize all balances of the State Treasurer which are not insured. Basically, these rules require that the bank transfer to an escrow account established by the State Treasurer securities of a type enumerated in the rules in an amount whose market value is not less than the amount of the time deposits and the average balance of demand deposits for the preceding quarter less the allowable deposit insurance on the deposits. Generally, rules require the securities to be governmental in origin (e.g., U.S. Treasury and Agency obligations or State and Local obligations) or the highest grade commercial paper and bankers' acceptances. Each bank may elect to collateralize State deposits separately (*Option 1*) or to include the deposits of North Carolina local government units in the same collateral pool with the State (*Option 2*). Banks report only quarterly on bank balances and amounts deposited in escrow as collateralization of deposits. The State maintains no records of bank balances of local governments collateralized in the pool with State deposits. Since the amounts of local government deposits in Option 2 banks are not known, the State's risk of being undercollateralized at any given time is increased.

NOTES TO THE FINANCIAL STATEMENTS

At June 30, 1989 the deposits maintained by the State Treasurer consisted of (expressed in thousands):

	Carrying Value	*Bank Balance*
Demand	$ 44,848	$ 48,064
Time	437,236	437,236

Eighty-five percent of these bank balances were deposited in Option 2 banks. Because the banks complied with the collateralization policies and procedures described above, the State considers all of its deposits to be either insured or covered by collateral held by the State's agent.

In addition to the State's deposits maintained by the State Treasurer, other deposits are maintained by certain State agencies and institutions. At June 30, 1989 the carrying amount of these deposits was $462.810 million and the bank balance was $479.220 million. Of these balances, $323.584 million was covered by federal depository insurance or by collateral held by the State's agent in the State's name and $155.636 million was uninsured and uncollateralized. In addition, the North Carolina Employment Security Commission had $1.403 billion on deposit with the U.S. Treasurer at June 30, 1989.

Investments

General Statutes 147-69.1(c) and 147-69.2 authorize the State Treasurer to invest in the following:

1. Obligations of or fully guaranteed by the United States and certain federal agencies;
2. Repurchase agreements;
3. Obligations of the State of North Carolina;
4. Savings certificates issued by specified savings and loan associations;
5. Certificates of deposit issued by specified banks;
6. Shares of or deposits in specified savings and loan associations;
7. Prime quality commercial paper bearing specified ratings;
8. Bills of exchange or time drafts drawn on and accepted by specified commercial banks and eligible for use as collateral by member banks in borrowing from a Federal Reserve Bank;
9. General obligations of other states in the United States;
10. General obligations of cities, counties and special districts in North Carolina;
11. Asset-backed securities (whether considered debt or equity) bearing specific ratings;
12. In addition to the above and with respect to the General Fund and Highway Fund cash balances in excess of the amount required to meet the current needs and demands, limited partnership interests in partnerships which are managed primarily for the purpose of investment in venture capital or corporate buyout transactions provided that the investment authorized by this subsection shall not exceed three percent of the cash balance as shown on the records of the State Treasurer for the General Fund and the Highway Fund;
13. Obligations of any company incorporated in the United States bearing specified ratings;
14. Notes secured by mortgages insured by the Federal Housing Administration or guaranteed by the Veterans Administration on real estate located within the State of North Carolina;
15. With respect to the Retirement Systems' assets, (a) certain insurance contracts, (b) group trusts, (c) individual, common or collective trust funds of banks and trusts companies, (d) certain real estate investment funds, and (e) certain specified preferred or common stocks issued by a company incorporated within the United States;
16. Obligations or securities of the North Carolina Enterprise Corporation, provided that the investment may not exceed $20 million and that the investment may be made solely from the General Fund and the Highway Fund.

The State's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the State's name.

NOTES TO THE FINANCIAL STATEMENTS

Investments maintained in investment pools by the State Treasurer at June 30, 1989 include the following (expressed in thousands):

	Carrying Amount				
	Category			*Total*	**Market**
	1	*2*	*3*	*Amount*	**Value**
Investments Categorized:					
U.S. government securities	$ 6,819,062	$ -	$ -	$ 6,819,062	$ 7,329,311
Corporate bonds and notes	6,140,930	-	-	6,140,930	6,155,649
Corporate common stock	3,159,056	-	-	3,159,056	3,908,931
Repurchase agreements	298,130	-	-	298,130	298,130
International government bonds	285,794	-	-	285,794	321,647
	$ 16,702,972	$ -	$ -	16,702,972	18,013,668
Investments Not Categorized:					
Certificates of deposit				437,236	437,236
Mutual Funds				50,385	52,308
Equity common trusts				306,155	331,460
Venture capital investments				8,321	8,041
Real estate trust funds				182,813	185,096
Total Investments - State Treasurer				$ 17,687,882	$ 19,027,809

The above certificates of deposit are a component of the deposit totals reported in the State Treasurer's deposit section of this note.

Investments maintained by the various agencies and institutions (separate from those maintained by the State Treasurer, listed above) include the following (expressed in thousands):

	Carrying Amount				
	Category			*Total*	**Market**
	1	*2*	*3*	*Amount*	**Value**
Investments Categorized:					
U.S. Government securities	$ 84,751	$ 104,715	$ 17,831	$ 207,297	$ 207,274
State and municipal securities	351	200	60	611	667
Corporate bonds	80,961	5,481	7,132	93,574	95,722
Corporate common stock	59,864	8,707	25,462	94,033	213,757
Repurchase agreements	-	7,825	1,306	9,131	9,131
Commercial paper	10,989	-	5,391	16,380	16,380
Annuity contracts	110,715	-	-	110,715	110,715
Real estate	8,942	-	-	8,942	8,942
International bonds:					
Corporate	7,863	98	3,003	10,964	10,860
Government	-	-	467	467	465
	$ 364,436	$ 127,026	$ 60,652	552,114	673,913
Investments Not Categorized:					
Time deposits				256,190	256,276
Mutual funds				200,968	211,625
Real estate trusts				6,948	7,255
Limited partnerships - venture capital				7,451	10,199
Other Investments				4,207	4,206
Total Investments - Agencies				$ 1,027,878	$ 1,163,474

The above time deposits are a component of the deposit totals reported in the deposits maintained by agencies section of this note.

NOTES TO THE FINANCIAL STATEMENTS

F. RECEIVABLES

Components of the State's receivables at June 30, 1989 are (expressed in thousands):

Funds	*Accounts Receivable*	*Intergovernmental Receivables*	*Investment Earnings*	*Contributions and Premiums*	*Other*	*Totals*
Governmental Funds:						
General	$ 91,405	$ 216,104	$ 11,173	$ -	$ -	$ 318,682
Special Revenue	9,676	68,103	4,532	-	1,878	84,189
Debt Service	-	-	-	-	-	-
Capital Projects	421	129	2	-	-	552
Total Governmental	101,502	284,336	15,707	-	1,878	**403,423**
Proprietary Funds:						
Enterprise	47,430	552	5,589	-	-	53,571
Internal Service	17,248	6,455	1,087	8,593	-	33,383
Total Proprietary	64,678	7,007	6,676	8,593	-	**86,954**
Fiduciary Funds:						
Expendable Trust	10,050	1,376	1,019	-	-	12,445
Nonexpendable Trust	-	2,511	1,898	-	-	4,409
Pension Trust	357	-	618	83,892	-	84,867
Agency	1,037	1,794	437	1,745	-	5,013
Total Fiduciary	11,444	5,681	3,972	85,637	-	**106,734**
University Funds:						
Current	60,837	12,391	4,376	-	-	77,604
Fiduciary	482	65	680	-	-	1,227
Plant	187	44	1,897	-	-	2,128
Total University	61,506	12,500	6,953	-	-	**80,959**
Total Receivables	**$ 239,130**	**$ 309,524**	**$ 33,308**	**$ 94,230**	**$ 1,878**	**$ 678,070**

G. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in General Fixed Assets for the year ended June 30, 1989 is presented (expressed in thousands).

	Balance July 1, 1988	*Prior Year Asset Adjustments*	*Transfers*		*Additions*	*Deletions*	*Balance June 30, 1989*
			Between Assets	*Between Funds*			
Land and improvements	$ 135,390	$ 26,346	$ 257	$ -	$ 7,534	$ 367	**$ 169,160**
Buildings and fixed equipment	695,937	4,108	35,791	-	8,526	2,757	**741,605**
Machinery and equipment	317,661	(3,900)	-	(593)	52,983	14,759	**351,392**
Motor vehicles and motorized equipment	69,662	(1,199)	-	185,733	39,249	15,050	**278,395**
Art works and literature	28,784	885	-	-	747	51	**30,365**
Construction in progress	110,084	(221)	(36,048)	(349)	61,901	6,749	**128,618**
Total General Fixed Assets	**$1,357,518**	**$ 26,019**	**$ -**	**$ 184,791**	**$ 170,940**	**$ 39,733**	**$1,699,535**

Some State agencies do not have adequate fixed asset systems to allow them to accurately report their general fixed assets and changes in their general fixed assets. The amounts of the misstatements for the above items cannot be readily determined.

NOTES TO THE FINANCIAL STATEMENTS

H. SUMMARY OF PROPRIETARY FUNDS' AND UNIVERSITY FUNDS' FIXED ASSETS

A summary of proprietary funds' and university funds' fixed assets at June 30, 1989 is presented (expressed in thousands).

	Proprietary Funds		University Funds	
	Enterprise	*Internal Service*	*Fiduciary*	*Plant*
Land and improvements	$ 23,166	$ 3,184	$18,245	$ 116,940
Buildings and fixed equipment	113,355	18,094	924	1,223,408
Other structures and improvements	38,434	3,480	-	-
Machinery and equipment	113,480	46,765	73	562,769
Motor vehicles and motorized equipment	259	52,483	-	-
Art works, literature and artifacts	-	-	37	332,130
Construction in progress	28,475	7,147	-	308,704
Total Fixed Assets (Gross)	317,169	131,153	19,279	2,543,951
Less:				
Accumulated depreciation	123,925	46,298	-	-
Total Fixed Assets (Net)	$193,244	$84,855	$19,279	$2,543,951

I. ACCUMULATED UNPAID VACATION AND SICK LEAVE

Employees earn vacation leave ranging from 0.98 to 2.15 days per month depending upon years of service. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is 30 days. At termination, employees are paid for any accumulated vacation leave. Employees earn sick leave at the rate of one day per month with an unlimited accumulation. Employees are not paid for accumulated sick leave upon termination; however, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement. The contingent liability for accumulated sick leave has not been recorded in the accounts of the various funds. See Note 1 L.

The liability for accumulated unpaid vacation leave at June 30, 1989 is (expressed in thousands):

Fund/ Account Group	*Prior Years*	*1989 Additions*	*Total Liability*
Enterprise funds	$ 6,161	$ 416	$ 6,577
Internal service funds	646	776	1,422
University funds	44,939	4,118	49,057
General Long-Term Obligations Account Group	93,666	12,872	106,538
Total Vacation Leave Liability - All Funds and Account Groups	$ 145,412	$ 18,182	$ 163,594

J. CONSTRUCTION COMMITMENTS

At June 30, 1989, the State had commitments of approximately $498.4 million for construction of highway facilities. Future expenditures related to these commitments are expected to be financed from $389.1 million of Federal aid and $109.3 million from motor fuel taxes. Other commitments of the State include $96.8 million for construction and improvements of State government facilities and $98.8 million for construction contracts at universities. Future expenditures related to the State government facilities are expected to be financed from $.7 million in Federal aid, $7.2 million in revenues generated from various government services, and $88.9 million in State appropriations. Future expenditures related to the universities' commitments are expected to be financed from $6.4 million in bond proceeds, $.5 million in donations, $1.1 million in Federal aid, $.7 million from other sources, $7.3 million from university revenues and $82.8 million in State appropriations.

K. LEASE OBLIGATIONS

The State has entered into various operating and capital leases for office space and for office, communications, computer and other equipment.

Future minimum lease commitments for noncancelable operating leases and capital leases as of June 30, 1989 are (expressed in thousands):

NOTES TO THE FINANCIAL STATEMENTS

		Capital Leases				
Fiscal Year	**Operating Leases**	*Long-Term Obligations*	*Enterprise Funds*	*Internal Service Funds*	*University Funds*	*Total*
1990	$ 9,840	$ 608	$ 131	$ 3,448	$ 2,739	$ 6,926
1991	6,434	520	143	1,047	2,441	4,151
1992	4,190	436	95	-	1,945	2,476
1993	2,868	365	-	-	1,463	1,828
1994	1,490	102	-	-	496	598
Thereafter	1,468	44	-	-	364	408
Total Future Minimum Lease Payments	$ 26,290	2,075	369	4,495	9,448	16,387
Less: Amounts Representing Interest		281	34	192	1,302	1,809
Present Value of Future Minimum Lease Payments		$ 1,794	$ 335	$ 4,303	$ 8,146	$ 14,578

L. LONG-TERM OBLIGATIONS

Changes in Long-Term Liabilities

During the year ended June 30, 1989, the following changes occurred in liabilities reported in the general long-term obligations account group (expressed in thousands):

	Balance July 1, 1988	*Increases*	*Decreases*	*Balance June 30, 1989*
Revenue Bonds:				
Horse and Livestock Facility	$ 1,130	$ -	$ 1,130	$ -
Alcoholic Beverage Control Commission	3,350	-	550	2,800
Total Revenue Bonds	4,480	-	1,680	2,800
Serial Bonds:				
Capital Improvement, 12-1-71	10,000	-	4,000	6,000
Public School Facility, Series A, 12-1-74	22,000	-	3,000	19,000
Clean Water, Series A, 12-1-74	12,000	-	1,500	10,500
Public School Facility, Series C, 6-1-76	31,000	-	4,000	27,000
Clean Water, Series C, 6-1-76	15,000	-	2,000	13,000
Public Improvement, 12-1-76	43,000	-	5,000	38,000
Public Improvement, 6-1-77	30,000	-	4,000	26,000
Public Improvement, 11-1-78	35,000	-	2,000	33,000
Public Improvement Series 1979, 11-1-79	43,000	-	3,000	40,000
Public Improvement Refunding, Series 1986, 7-1-86	196,910	-	13,210	183,700
Clean Water, Series 1987, 6-1-87	43,500	-	2,500	41,000
Capital Improvement, Series 1989, 5-1-89	-	6,532	-	6,532
Total General Fund Serial Bonds	481,410	6,532	44,210	443,732
Highway Refunding Series 1986, 7-1-86	226,750	-	24,020	202,730
Total Highway Serial Bonds	226,750	-	24,020	202,730
Total Serial Bonds	708,160	6,532	68,230	646,462
Capital Appreciation Bonds:				
Capital Improvement 1989, 5-1-89	-	13,967	-	13,967

NOTES TO THE FINANCIAL STATEMENTS

	Balance July 1, 1988	Increases	Decreases	Balance June 30, 1989
Other Long-Term Obligations:				
Long-term payables	11,790	13,586	2,328	23,048
Capital leases payable	1,695	668	569	1,794
Accrued vacation leave	93,666	12,872	-	106,538
Total General Long-Term Obligations	$ 819,791	$ 47,625	$ 72,807	$ 794,609

Long-Term Obligations - Other Funds

Long-Term Obligations of other funds at June 30, 1989 are (expressed in thousands):

	Enterprise Funds	Internal Service Funds	Nonexpendable Trust Funds	University Funds
Revenue bonds payable (net of discount)	$ 852,009	$ -	$ -	$ 258,823
Capital leases payable	223	1,032	-	8,146
Other obligations:				
Notes payable	436	-	-	34,915
Claims payable	3,513	-	-	-
Obligations for worker's compensation	49	-	-	-
Deposits payable	240	-	-	-
Total Long-Term Obligations - Other Funds	$ 856,470	$ 1,032	$ -	$ 301,884

The full faith, credit, and taxing power of the State has been pledged only for the payment of the principal of and the interest on the General Obligation Serial Bonds. Other long-term debts of the State are payable solely from certain resources of the funds to which they relate.

Demand Bonds

Included in university revenue bonds are two variable rate demand bond issues at UNC-Chapel Hill, which total $11,800,000 (in whole dollars) and mature in 2007 and 2010. The bonds are special limited obligations of the University payable solely from the revenues pledged for the payment thereof. The proceeds of the bonds were used for (a) the acquisition and construction of a residential dormitory facility ($6,800,000) and (b) certain additions and renovations to Kenan Memorial Stadium ($5,000,000).

The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice and delivery to the University's remarketing agent.

Under irrevocable letters of credit issued by Wachovia Bank and Trust Company, N.A., the trustee is entitled to draw amounts sufficient to pay principal and interest on the bonds and the remarketing agent is entitled to draw amounts sufficient to pay the purchase price and the accrued interest on the bonds delivered to it for purchase. In the event that the bonds cannot be remarketed, these letters of credit will provide necessary financing. The letters of credit are valid through September 6, 1993 and November 15, 1994, respectively.

The University has entered into reimbursement agreements with Wachovia Bank in which it agreed to repay all amounts that are drawn under the letters of credit, which carry variable interest rates. The University is required to pay an annual commitment fee for the letter of credit on the Dormitory Bonds of .625 of 1% on the outstanding principal amount of the bonds, plus an amount equal to the accrued interest thereon at an assumed rate of 12% per annum for 124 days. The University is required to pay an annual commitment fee for the letter of credit on the Renovation Bonds of .62 of 1% of the stated amount of the line of credit in effect.

NOTES TO THE FINANCIAL STATEMENTS

Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on the General Obligation Bonds and Revenue Bonds of the various fund types outstanding at June 30, 1989 (expressed in thousands). Current and long-term principal requirements are disclosed for the proprietary fund types.

Fiscal Year	*General Obligation*	*Enterprise*	*Univ.*
1990	$ 110,395	$ 90,052	$ 22,995
1991	106,692	88,307	22,896
1992	105,024	88,723	22,842
1993	101,601	88,527	29,774
1994	97,777	88,155	24,388
1995-1999	294,589	445,676	118,082
2000-2004	39,485	420,466	109,403
2005-2009	9,560	414,067	89,147
2010-2014	-	405,823	35,858
2015-2019	-	270,313	775
2020-2024	-	127,866	144
2025-2029	-	44,445	-
Total Requirements	865,123	2,572,420	476,304
Less: Unamortized Discount	(16,601)	-	(2,360)
Interest Requirements	(185,293)	(1,701,302)	(215,121)
Total Principal Requirements	**$663,229**	**$ 871,118**	**$258,823**
Current portion		19,109	
Long-term portion		852,009	

The N.C Housing Finance Agency comprises the major portion of the enterprise fund annual requirements listed in the schedule above. The following schedule summarizes debt service requirements of the N.C. Housing Finance Agency (expressed in thousands).

Fiscal Year	*Principal*	*Interest*	*Total*
1990 - 2029	$ 862,374	$ 1,698,650	$ 2,561,024

Bond Defeasances

On July 8, 1986, the State of North Carolina issued $210 million in Public Improvement Advance Refunding Bonds and $250 million in Highway Fund Advance Refunding Bonds for the purpose of refunding certain bonds (listed below) issued in previous years. Proceeds are held by escrow agents in a sum sufficient to retire the refunded bonds. As a result the refunded bonds were considered to be defeased in the year ended June 30, 1987 and the liability for those bonds was removed from the General Long-Term Obligations Account Group in that year.

The following schedule shows the activity of the defeased bonds for the past year (expressed in thousands).

	Balance June 30, 1988	*Obligations Matured*	*Balance June 30, 1989*
Public School Facility,			
Series B, 12-1-75	$ 54,000	$ 6,000	$ 48,000
Clean Water:			
Series B, 12-1-75	9,000	1,000	8,000
Series C, 7-1-81	33,000	1,000	32,000
Series D,5-1-82	16,000	1,000	15,000
Series 1983, 5-1-83	75,000	3,000	72,000
Highway, 5-1-78	36,500	4,000	32,500
Highway, 7-1-79	37,500	4,000	33,500
Highway, 12-1-80	41,500	4,000	37,500
Highway, 7-1-81	37,500	3,000	34,500
Highway, 5-1-82	62,000	6,000	56,000
Total	$ 402,000	$ 33,000	$ 369,000

During the fiscal year ending June 30, 1989, North Carolina A&T University issued $1,975,000 in Stadium System Student Fee Revenue Refunding bonds with an average interest rate of 7.25 percent to advance refund $1,715,000 of outstanding bond issues with an average interest rate of 11.13 percent. The Stadium System Student Fee Revenue Bonds, Series A were defeased.

The net proceeds of $1,897,345 (after payment of $77,655 in issuance costs) plus an additional $135,010 of sinking fund monies were used to purchase U.S. Government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bond issues. As a result the bonds are considered to be defeased and the liability for the bonds has been removed from the balance sheet.

The University reduced its total debt service payments by $756,590 over the next 24 years and obtained an economic gain of $287,863.

At June 30, 1989, the outstanding balance of the defeased bonds was $1,705,000.

On May 18, 1989, the State defeased $1,350,000 of outstanding Government Complex Parking Facilities Revenue Bonds, Series 1976 by depositing $1,006,887, along with

NOTES TO THE FINANCIAL STATEMENTS

$401,949 that had been deposited periodically during previous months, in an irrevocable trust to provide for bond redemption on July 1, 1989. The funds were provided from uncommitted parking receipts. For financial reporting purposes, the trust account assets and the liability for the defeased bonds are not included in the balance sheet. The loss on redemption of $12,314, representing a bond redemption premium of $25,600 less $13,286 of interest earnings by the trust account between May 18 and June 30, is shown as an extraordinary item in the financial statements.

On July 1, 1989, the trustee redeemed the parking lot bonds.

Bond Redemptions/Extraordinary Losses

Provisions of bond series resolutions for the North Carolina Housing Finance Agency provide for various methods of redemption. Bonds will be redeemed at par from prepayments of mortgage loans securing the issues or from unexpended bond proceeds of the issues along with the related decreases in the respective debt service reserve requirements. From ten to sixteen years after the date of issuance, bonds are redeemable at the option of the Agency at premiums ranging up to 10%. Certain term bonds require mandatory sinking fund payments for their redemption.

The Agency called certain issues for redemption at par on January 1, 1989 and July 1, 1989. Funds from prepayments of mortgage loans equalling the full amount of the redemptions, $36.948 million, were placed in segregated trust accounts on December 31, 1988 and June 30, 1989, respectively. Losses on the redemptions of $729 thousand are recorded as extraordinary items in the financial statements, representing the unamortized deferred bond issuance costs of the bonds redeemed.

M. RISK MANAGEMENT

The State self-insures for these types of risk:

1. *Fire and other property losses* are paid from the State Property Fire Insurance Fund (internal service fund) which is financed by rates charged to the participating funds of the State. Private insurance companies provide reinsurance coverage so that the fund may sustain aggregate uninsured extended coverage losses of no more than $2 million in any one policy year and aggregate uninsured fire and other property losses of no more than $5 million in any one policy year.

2. *Automobile liability insurance* is provided for the State by a private insurance company; however, the State self-insures the first $250,000 of any loss. State agencies are charged premiums to cover the cost of the insurance and to pay for those losses falling under the self-insured retention.

3. *Public officers' and employees' liability insurance* is provided for all employees of the State by a private insurance company. The policy provides $900,000 excess insurance over the $100,000 statutory limit payable for any one claim under the Tort Claims Act. The excess insurance is purchased with premiums paid by the State agencies.

4. *Health care benefits* are provided to the State's full-time employees and retirees by the Teachers' and State Employees' Comprehensive Major Medical Plan (internal service fund). The program is funded through employer and employee contributions. A board of trustees appointed by the Governor, the Lieutenant Governor and Speaker of the House provides advisory assistance on policy issues to the Executive Administrator, who is appointed by the Commissioner of Insurance after conferring with the Legislative Committee. Benefits are prescribed by law (G.S. 135-40) and the program is administered and overseen by the Executive Administrator. Maintenance of membership and claim processing are handled by an independent claims contractor for the self-funded plan. Health Maintenance Organization (HMO) plans have also been made available through contractual agreements.

5. *Group life insurance benefits* are provided to the State's teachers and employees who are members of the Teachers' and State Employees' Retirement System by the North Carolina Teachers' and State Employees' Benefit Trust (internal service fund). Benefits are subject to a minimum of $25,000 and a maximum of $50,000. The program is funded through employer contributions based on a percentage of their payrolls as determined by an actuary on a one-year term cost basis. For fiscal year 1988-89 the State contributed $10.7 million to the Benefit Trust for group life insurance benefits.

6. *Medical malpractice protection* is provided by the University of North Carolina (UNC) Self-Insurance Fund (University-fiduciary fund) for participants and individual health care practitioners working as employees, agents or officers of North Carolina Memorial Hospital and the UNC Medical Faculty Practice Plan. The program is funded through participant contributions, and is administered by the Liability Insurance Trust Fund Council which is appointed by the UNC Board of Governors.

NOTES TO THE FINANCIAL STATEMENTS

7. For *workers' compensation and unemployment compensation claims*, the State is generally self-insured and funds such liabilities on a pay-as-you-go basis.

NOTE 4: PENSION PLANS

The State administers six defined benefit public employee retirement systems (PERS) which are included in the State's financial statements as pension trust funds.

A. DESCRIPTION OF PLANS

1. *TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM*

This plan is a cost-sharing multiple-employer public employee retirement system (PERS) established and administered by the State of North Carolina to provide pension benefits for employees of the State and local governments. Membership is comprised of employees of State agencies and institutions, including teachers and employees of the local boards of education, university and community college faculty and employees, and state-employed law enforcement officers. At December 31, 1988, the number of participating local government employers was 211, as shown below:

Local Boards of Education	141
Community Colleges	58
Miscellaneous Units	12

The plan provides retirement benefits. After five years of creditable service, employees qualify for a vested deferred benefit. Employees who retire on or after age 65 and complete 5 years of membership service (age 55 and 5 years of creditable service for law enforcement officers), reach age 60 with 25 years of membership service, or complete 30 years of creditable service receive a retirement allowance of 1.60% of an average final compensation (based on the 4 consecutive years that produce the highest average) multiplied by the number of years of creditable service. Employees may retire with reduced retirement benefits if they reach age 50 with 20 years of creditable service or reach age 60 with 5 years of creditable service (age 50 with 15 years creditable service for law enforcement officers). The system is funded by a member contribution of 6% of compensation and by an employer contribution of 9.35% of covered payroll at December 31, 1988, in addition to investment income. Benefit and contribution provisions are established by G.S.135-5 and 135-8 and may be amended only by the North Carolina General Assembly.

2. *CONSOLIDATED JUDICIAL RETIREMENT SYSTEM*

This plan is a single-employer public employee retirement system (PERS) established and administered by the State of North Carolina to provide pension benefits for employees of the State Judicial System. Membership is comprised of judges, district attorneys and clerks of court. The system was created on January 1, 1985, by the merger of the former Uniform Judicial Retirement System, Uniform Solicitorial Retirement System, and the Uniform Clerks of Court Retirement System.

The plan provides retirement, disability and death benefits. After five years of creditable service, employees qualify for a vested deferred benefit. Members who retire on or after age 65 and have completed 5 or more years of creditable service or have completed 24 years of creditable service regardless of age receive a retirement allowance of the rate specified below of final compensation multiplied by the number of years of creditable service (to a maximum of 75% of the member's final compensation). The rates for this computation are:

4.0% -	Justice of the Supreme Court; Judge of the Court of Appeals
3.5% -	Judge of the Superior Court; Administrative Officer of the Courts
3.0% -	Judge of the District Court; District Attorney; Clerk of the Superior Court

Members may retire with reduced benefits after they reach age 50 and have 5 or more years of creditable service. The system is funded by a member contribution of 6% of compensation and an employer contribution of 29.71% of covered payroll at December 31, 1988, in addition to investment income. Benefit and contribution provisions are established by G.S. 135-57, 135-58, 135-68 and 135-69 and may be amended only by the North Carolina General Assembly.

3. *LEGISLATIVE RETIREMENT SYSTEM*

This plan is a single-employer public employee retirement system (PERS) established and administered by the State of North Carolina to provide pension benefits for members of the General Assembly. The system came into existence on February 6, 1985.

This plan provides retirement and disability benefits. After five years of creditable service, employees qualify for a vested deferred benefit. Members who have attained 65 years of age and have five or more years of creditable service or who have 25 or more years of creditable service

NOTES TO THE FINANCIAL STATEMENTS

receive a retirement allowance of 4% of highest compensation multiplied by the number of years of creditable service (to a maximum of 75% of the member's highest compensation). Members may retire with reduced benefits at age 60 with 5 or more years of creditable service. The benefit will not be payable while the member is employed in a position making him eligible to participate in either the Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System or the Local Governmental Employees' Retirement System. The system is funded by a member contribution of 7% of compensation and an employer contribution of 35.76% of covered payroll at December 31, 1988, in addition to investment income. Benefit and contribution provisions are established by G.S. 120-4.21, 120-4.19 and 120-4.20 and may be amended only by the North Carolina General Assembly.

OTHER STATE ADMINISTERED SYSTEMS

The State also administers the following pension and retirement systems for persons who are not considered employees of the State.

4. FIREMEN AND RESCUE SQUAD WORKERS' PENSION FUND

This plan is a cost-sharing multiple-employer public employee retirement system (PERS) established and administered by the State of North Carolina to provide pension benefits for employees of local governments and special districts. Membership is comprised of both volunteer and locally employed firemen and emergency medical personnel who elect membership. At June 30, 1988, there were 1,380 participating fire and rescue units. The State is a nonemployer contributor to the plan.

The plan provides retirement benefits. Members who retire on or after age 55 and have credit for 20 years of service as a fireman or rescue squad worker and have paid the maximum $1,200 in contributions receive $100 a month. The plan is funded by a $5 monthly contribution by the member, investment income and a state appropriation. Benefit and contribution provisions are established by G.S. 118-18 and may be amended only by the North Carolina General Assembly.

5. NATIONAL GUARD PENSION FUND

This plan is a single-employer public employee retirement system (PERS) established and administered by the State of North Carolina to provide pension benefits for members of the North Carolina National Guard. Membership is established at age 60 for former members of the North Carolina National Guard who have 20 or more years active duty with the National Guard. The State is a nonemployer contributor to the plan.

Benefits are $50 per month for the first 20 years of service and $5 per month for each additional year of service to a maximum of $100 per month. The plan is funded by state appropriation and investment income. Benefit and contribution provisions are established by G.S. 127(a)-40 and may be amended only by the North Carolina General Assembly.

6. LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

This plan is a cost-sharing multiple-employer public employee retirement system (PERS) established and administered by the State of North Carolina for employees of local governments. Membership is comprised of general employees and local law enforcement officers of participating local governmental entities.

At December 31, 1988, the number of participating local governments was 702, as shown below:

Cities	320
Counties	99
Special Districts	283

The plan provides retirement and disability benefits identical to the benefits that accrue to members of the Teachers' and State Employees' Retirement System (vesting and eligibility requirements are also the same). The system is funded by employee contributions of 6% and employer contributions at varying rates by the participating local governments. Employers contribute 5.10% of covered payroll for law enforcement officers and 4.63% for general employees and firemen for normal costs and various rates, which are established when the governments initially enter the system, for past service costs. The State's responsibility is administrative only. Benefit and contribution provisions are established by G.S. 128-27 and 128-30 and may be amended only by the North Carolina General Assembly.

NOTES TO THE FINANCIAL STATEMENTS

The following table summarizes membership and covered payroll information by plan at the actuarial valuation date (dollar amounts expressed in thousands):

	Teachers' and State Employees'	*Judicial*	*Legislative*	*Firemen, Rescue*	*National Guard*	*Local Government*
Employee Groups						
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	63,814	245	69	4,811	2,457	15,423
Active members:						
Vested	125,936	267	88	-	4,042	40,607
Nonvested	139,845	155	92	21,874	3,911	48,744
Employer						
Current-year covered payroll	$4,673,065	$22,458	$1,713	N/A	N/A	$1,473,644
Date of Valuation	12-31-88	12-31-88	12-31-88	6-30-88	12-31-88	12-31-88

Substantially all State employees are covered by either the Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, or the Legislative Retirement System. The State's total current-year payroll, therefore, is substantially the same as its current-year covered payroll for each of these three retirement systems.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

BASIS OF ACCOUNTING

The public employee retirement systems described above are considered part of the State of North Carolina reporting entity and are included in the State's financial reports as pension trust funds. The financial statements of these systems are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

METHOD USED TO VALUE INVESTMENTS

Equity securities in these systems are reported at cost subject to adjustment for market declines judged to be other than temporary. Fixed-income securities are reported at amortized cost with discounts or premiums amortized using the scientific method, subject to adjustment for market declines judged to be other than temporary. Investment income is recognized as earned. Gains and losses on exchanges of fixed-income securities are deferred and amortized over the terms of the reinvested securities. Gains or losses on other investments are recognized when they occur. During the fiscal year, there were no securities of the employers or related parties included in the assets of the pension trust funds.

The investments for the retirement systems are in pools (Long-Term Investment Pool, Equity Investment Pool and Real Estate Investment Pool) managed by the State Treasurer. The Long-Term Investment Pool invests in long-term debt securities, the Equity Investment Pool invests in stock and the Real Estate Investment Pool invests in real estate trusts administered by third party professionals.

NOTES TO THE FINANCIAL STATEMENTS

The following schedule shows the amounts invested by the retirement systems in each pool and the approximate market value of those investments as of December 31, 1988 (expressed in thousands).

Investments in Retirement Systems

System	*Long-Term Investment Pool*	*Equity Investment Pool*	*Real Estate Investment Pool*	*Total Invested*	*Approximate Market Value*
Teachers' and State Employees'	$ 8,219,338	$2,865,389	$150,260	$11,234,987	$11,486,457
Consolidated Judicial	56,324	19,617	1,027	76,968	78,491
Legislative	2,311	802	41	3,154	3,212
Firemen and Rescue Squad Workers'	45,930	16,016	839	62,785	64,446
North Carolina National Guard	4,061	1,409	73	5,543	5,700
Local Governmental Employees'	1,803,993	632,128	33,011	2,469,132	2,530,737
Total Investments	**$10,131,957**	**$3,535,361**	**$185,251**	**$13,852,569**	**$14,169,043**
Approximate Market Value	**$10,030,897**	**$3,947,840**	**$190,306**	**$14,169,043**	

C. FUNDING STATUS AND PROGRESS

The amount shown below in each retirement system as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the **actuarial present value of credited projected benefits** and is intended to help users assess Statewide PERS funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS. The actuarial present value of credited projected benefits measure is independent of and not directly related to the actuarial funding methods used to determine actual contributions to the systems.

The pension benefit obligation of each retirement system was determined as part of an independent actuarial valuation. The significant methods, assumptions, and results of the latest actuarial valuations, which are presented in the following schedules, were adjusted by the actuary to reflect changes which occurred between systems during the year. Dollar amounts are expressed in thousands.

	Teachers' and State Employees'	*Judicial*	*Legislative*	*Firemen, Rescue*	*National Guard*	*Local Government*
Actuarial Assumptions						
Membership:						
Retired	63,814	245	69	4,811	2,457	15,423
Active:						
Vested	125,936	267	88	-	4,042	40,607
Nonvested	139,845	155	92	21,874	3,911	48,744
Date of valuation	12-31-88	12-31-88	12-31-88	6-30-88	12-31-88	12-31-88
Rate of return on investment of assets	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Projected salary increase	Average of 7.5%	Average of 7.5%	Average of 7.5%	N/A	N/A	Average of 7.5%
Postretirement benefit increases	3.6%	3.6%	3.6%	N/A	N/A	3.6%

NOTES TO THE FINANCIAL STATEMENTS

	Teachers' and State Employees'	Judicial	Legislative	Firemen, Rescue	National Guard	Local Government
Pension Benefit Obligations						
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	$ 4,565,418	$ 41,897	$1,543	$46,726	$12,740	$ 901,052
Active members:						
Accumulated employee contributions	2,563,978	11,026	706	10,664	N/A	618,673
Employer-financed:						
Vested	1,348,973	18,824	2,947	-	5,510	156,524
Nonvested	3,136,387	29,669	642	25,026	4,534	647,532
Total Pension Benefit Obligation	**11,614,756**	**101,416**	**5,838**	**82,416**	**22,784**	**2,323,781**
Net assets available for benefits, at cost	11,386,677	79,204	3,695	60,496	7,506	2,515,369
Unfunded (Assets in Excess of) Pension Benefit Obligation	**$ 228,079**	**$ 22,212**	**$2,143**	**$21,920**	**$15,278**	**$ (191,588)**
Market value of net assets available for benefits (at valuation date)	$11,638,147	$ 80,727	$3,753	$61,145	$ 7,663	$2,576,974

The net assets available for benefits of each retirement system are comprised of an Annuity Savings Fund and a Pension Accumulation Fund. The Annuity Savings Fund is the fund to which are credited contributions made by members together with interest thereon. When a member retires, the amount of his/her accumulated contributions is transferred from the Annuity Savings Fund to the Pension Accumulation Fund. The Pension Accumulation Fund is the fund to which the contributions made by employers are credited and from which are paid all benefits on account of beneficiaries and their dependents.

The following table presents the asset balances of the Annuity Savings Fund and the Pension Accumulation Fund for each plan (expressed in thousands).

	Teachers' and State Employees'	Judicial	Legislative	Firemen, Rescue	National Guard	Local Government
Annuity Savings Fund	$ 2,563,979	$11,026	$ 942	$10,664	$ -	$ 618,673
Pension Accumulation Fund	8,822,698	68,178	2,753	49,832	7,506	1,896,696
Net assets available for benefits, at cost	$11,386,677	$79,204	$3,695	$60,496	$7,506	$2,515,369

D. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The funding policy of these public employee retirement systems provides for periodic employer and non-employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The actuarially-determined contribution rates below represent minimum future funding requirements as of the valuation date. The actual contributions made and related percentages were based on prior actuarial valuations. The State's actuarially determined contribution requirement for the Firemen and Rescue Squad Workers' Pension Fund was 100% of the total current-year actuarially determined contribution requirements for all employers.

NOTES TO THE FINANCIAL STATEMENTS

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligations discussed in Paragraph C. The following schedules summarize the results of those valuations, as of the valuation date for each plan. Dollar amounts are expressed in thousands.

	Teachers' and State Employees'		Consolidated Judicial		Legislative	
	1-1-88 to 6-30-88	*7-1-88 to 12-31-88*	*1-1-88 to 6-30-88*	*7-1-88 to 12-31-88*	*1-1-88 to 6-30-88*	*7-1-88 to 12-31-88*
Recommended Employer Contribution Rates						
Normal	4.60%	4.60%	16.47%	15.87%	15.23%	15.23%
Unfunded actuarial accrued liability	4.75%	4.75%	12.68%	13.28%	20.53%	20.53%
Death benefit	-	-	0.56%	0.56%	-	-
Total	9.35%	9.35%	29.71%	29.71%	35.76%	35.76%
Unfunded actuarial accrued liability liquidation period (years)		13		16		5
Valuation method [*]		1		4		5
Actual Contributions Made	*Employer*	*Employees*	*Employer*	*Employees*	*Employer*	*Employees*
Amount	$ 436,899	$ 280,384	$ 6,672	$ 1,347	$ 613	$ 120
Percentages of covered payroll	9.35%	6.00%	29.71%	6.00%	35.76%	7.00%
Period covered	1-1-88 to 12-31-88		1-1-88 to 12-31-88		1-1-88 to 12-31-88	

	Firemen and Rescue Squad Workers'		National Guard		Local Governmental Employees'	
		7-1-87 to 6-30-88	*1-1-88 to 6-30-88*	*7-1-88 to 12-31-88*	*1-1-88 to 6-30-88*	*7-1-88 to 12-31-88*
Recommended Employer Contributions/Rates						
Normal		$ 1,513	$ 148	$ 148	4.63% or 5.10%	4.63% or 5.10%
Unfunded actuarial accrued liability		1,864	845	865	0% to 13.89%	0% to 13.89%
		-	-	-		
Total		$ 3,377	$ 993	$ 1,013	4.63% to 18.99%	4.63% to 18.99%
Unfunded actuarial accrued liability liquidation period (years)		13		16		0 to 24
Valuation method [*]		3		3		2
Actual Contributions Made	*State*	*Employees*	*State*	*Employees*	*Employer*	*Employees*
Amount	$ 5,685	$ 2,158	$ 1,800	$ -	$ 89,217	$ 88,419
Percentages of covered payroll	N/A	N/A	N/A	N/A	6.05%	6.00%
Period covered	7-1-87 to 6-30-88		1-1-88 to 12-31-88		1-1-88 to 12-31-88	

[*] Legend of Valuation Methods:

1. Projected benefit method with aggregate level normal cost and open-end accrued liability. Gains and losses are reflected in the accrued liability.
2. Projected benefit method with aggregate level normal cost and frozen accrued liability. Gains and losses are reflected in the normal rate.
3. Projected benefit method with level average entry age normal cost and open-end accrued liability. Gains and losses are reflected in the unfunded accrued liability.
4. The liabilities are based on the projected benefit method; however, the contribution rates were determined on the basis of the accrued benefit method with projection. One year term cost for lump sum death benefits.
5. Projected unit credit cost method with unfunded accrued liability.

NOTES TO THE FINANCIAL STATEMENTS

E. TREND INFORMATION

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. GASB Statement No. 5 requires three-year trend information using the standardized measure of the pension obligation but allows presentation of only those years for which that measure is available. The State will comply with the full three-year disclosure in fiscal year 1989-90. Public employee retirement systems must also present ten-year trend data on specified fund information. This information is disclosed in the Required Supplementary Information section following these Notes to the Financial Statements.

In accordance with GASB Statement No. 5, employers contributing to public employee retirement systems must present the following trend information:

Net Assets Available For Benefits, expressed as percentages of the pension benefit obligation applicable to the entities' employees. Analysis of this percentage over time indicates whether the retirement system is becoming financially stronger or weaker.

Unfunded Pension Benefit Obligation, expressed as percentages of annual covered payroll. Showing unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis purposes.

Employer Contributions expressed as percentages of annual covered payroll. For the State sponsored plans included in this report, these contributions were made in accordance with actuarially determined requirements.

The following table presents the required information.

Retirement System	Calendar Year	Net Assets Available For Benefits As A Percentage of Pension Obligation	Unfunded (Assets in Excess of) Pension Benefit Obligation As A Percentage of Covered Payroll	Employer Contributions As A Percentage of Covered Payroll
Teachers' and State Employees'	1988	98.04%	5.01%	9.35%
	1987	97.34%	6.61%	10.32%
	1986	[1]	[1]	10.43%
Consolidated Judicial	1988	78.10%	100.25%	29.71%
	1987	77.22%	98.87%	29.89%
	1986	[1]	[1]	30.62%
Legislative	1988	63.29%	113.15%	35.76%
	1987	[1]	[1]	35.18%
	1986	[1]	[1]	37.69%
Firemen and Rescue [2]	1988	73.40%	N/A	N/A
	1987	69.22%	N/A	N/A
	1986	[1]	N/A	N/A
National Guard	1988	32.94%	N/A	N/A
	1987	27.22%	N/A	N/A
	1986	[1]	N/A	N/A
Local Government	1988	108.24%	(13.50%)	6.05%
	1987	106.44%	(10.52%)	7.42%
	1986	[1]	[1]	6.90%

Contributions were made in accordance with actuarially determined contribution requirements.

[1] - Information not available

[2] - Fiscal year ended June 30

NOTES TO THE FINANCIAL STATEMENTS

F. OPTIONAL RETIREMENT PLAN

The Optional Retirement Program (Program) is a defined contribution retirement plan which provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Administrators and eligible faculty in State universities may join the Program instead of the Teachers' and State Employees' Retirement System.

The Program is administered by the privately-operated Teachers' Insurance and Annuity Association and the College Retirement Equities Fund (TIAA/CREF). Participants' eligibility and contributory requirements are established in G.S. 135-5.1. Participants contribute 6% of their salary and the university contributes 6.10%. The State assumes no liability other than the universities' contributions. The State contributed $16,030,893 for the 1988-89 fiscal year.

Participants are vested after five years of service, but the administrator must return the value of the participant's and State's contributions to both the participant and the State if termination occurs prior to five years of service. The participant chooses his/her investment in the TIAA or the CREF or both. The TIAA invests primarily in bonds and mortgages and provides a fixed retirement income, while the CREF invests in diversified common stock with the basis of the retirement income fluctuating with market values.

G. DEFERRED COMPENSATION AND SUPPLEMENTAL RETIREMENT INCOME PLANS

IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation of service, death, disability, retirement or due to financial hardships if approved by the Board of Trustees of the Plan. The benefits distributed to employees were exempt from all state income taxes in North Carolina through December 31, 1988. Benefits distributed to employees on or after January 1, 1989 are subject to state income taxes in North Carolina. Employee contributions totaled $18,439,845 and 8,760 employees contributed to the plan during the calendar year ended December 31, 1988. All costs of administering and funding the plan are the responsibility of the Plan. All amounts ($152.4 million at December 31, 1988 - audited), property and rights derived from deferred compensation and income earned on the deferred compensation are, until paid or made available to the employee or other beneficiary, solely the property and rights of the State of North Carolina, subject only to the claims of the State's general creditors. The State believes that it is very unlikely that it will use these assets to satisfy the claims of general creditors in the future.

IRC Section 401(K) Plan - Effective January 1, 1985 Chapter 135, Article 5 of the North Carolina General Statutes authorized the creation of the Supplemental Retirement Income Plan of North Carolina in accordance with Internal Revenue Code Section 401(K). All members of the Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, Legislative Retirement System, Local Governmental Employees' Retirement System and University Optional Retirement Program are eligible to elect to enroll in this plan. Members of the plan may receive their benefits upon retirement, disability, termination, hardship, or death. All costs of administering the plan are the responsibility of the plan participants. The State contributes 5% of the annual covered payroll for law enforcement officers. As of June 30, 1989, the plan administrator has reported assets on hand of $182.0 million (unaudited).

H. POSTRETIREMENT BENEFITS

In addition to providing pension benefits, the State provides certain health care and death benefits to retirees. Retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System, and the University Employees' Optional Retirement Program with five or more years of service are eligible to participate in either the State's self-funded Teachers' and State Employees' Comprehensive Major Medical Plan (Plan) or one of two Health Maintenance Organization (HMO) plans. The Plan provides benefits to participants in a comprehensive, major medical format involving a $150 per person deductible and a 10% copayment not to exceed $300 per person for the fiscal year ended June 30, 1989, and a lifetime maximum coverage of $500,000. The Plan contains typical provisions relating to cost containment, pre-existing conditions, and coordination of benefits. The health benefit provided by the State becomes the secondary coverage when a retiree becomes eligible for Medicare.

The State pays the full cost of coverage for retirees enrolled in the Plan and makes similar contributions for retirees enrolled in the HMO plans. Retirees pay for the additional cost of HMO coverage and for the entire cost of coverage

NOTES TO THE FINANCIAL STATEMENTS

for their dependents. The maximum annual employer contribution was $858 for Medicare-eligible retirees and $1,126 for non-Medicare-eligible retirees for the fiscal year ended June 30, 1989. Currently, the State contributes 1.1% of active employees' salaries to fund retiree health coverage. Medical claims are recognized as expenses when incurred.

For the fiscal year ended June 30, 1989, the State paid $56,406,733 in contributions and $66,201,090 (cash basis) for claims on behalf of the 62,663 retirees enrolled in the Plan. Average claims payment per covered retiree was $1,056. In addition, the State paid premiums of $1,660,623 to HMOs for the year ended June 30, 1989 for the 1,096 retirees with HMO coverage.

A death benefit of up to $5,000 is provided for retirees of the Teachers' and State Employees' Retirement System who have elected, when first eligible, to make contributions for twenty-four months to a group death benefit trust fund. Should death occur before the completion of twenty-four months of contributions, the retired member's designated beneficiary shall be paid the sum of the retiree's contributions plus interest. Death benefits are recognized as expenses when paid.

NOTE 5: SEGMENT INFORMATION FOR PROPRIETARY FUNDS

Segment information for the State's Enterprise Funds for the year ended June 30, 1989 is (expressed in thousands):

	N.C. Memorial Hospital *[1]*	*N.C. State Fair* *[2]*	*USS N.C. Battleship Comm.* *[3]*	*N.C. Housing Finance Agency* *[4]*	*State Ports Authority* *[5]*	*Ports Railway Comm.* *[6]*	*Agricultural Finance Authority* *[7]*	*Other Funds* *[8]*	*Total*
Operating Statement Items									
Operating revenues	$ 172,507	$ 5,183	$ 1,701	$ 104,480	$ 24,083	$ 268	$ 94	$ 464	$ 308,780
Depreciation/amortization	10,544	453	138	707	4,060	70	-	58	16,030
Operating income (loss)	(30,480)	76	197	6,982	(521)	63	(127)	(19)	(23,829)
Nonoperating revenues (expenses)	529	-	6	-	302	79	-	2	918
Operating transfers in	35,288	-	-	-	-	-	170	-	35,458
Operating transfers out	(3)	(435)	-	-	-	-	-	(2)	(440)
Extraordinary loss	-	-	-	(729)	-	-	-	-	(729)
Additions to contributed capital	-	662	-	-	16,000	-	-	-	16,662
Net income (loss)	5,334	(359)	203	6,253	(219)	142	43	(19)	11,378
Balance Sheet Items									
Net working capital	38,778	783	624	(7,794)	23,394	773	1,080	250	57,888
Notes receivable and other non-current assets	10,141	-	823	937,104	137	240	-	-	948,445
Fixed asset additions	13,654	768	387	-	15,904	14	-	31	30,758
Fixed asset deletions	1,572	2	47	-	123	21	-	-	1,765
Total assets	158,416	10,327	3,606	991,194	120,981	1,342	1,092	1,260	1,288,218
Bonds and other long-term obligations	3,736	-	555	843,879	8,060	240	-	-	856,470
Total equity	131,624	9,933	2,892	85,431	109,890	1,036	1,080	1,221	343,107

Principal enterprise fund activities

[1] Operation of a hospital facility
[2] Competitive exhibition of North Carolina agricultural products and rural arts and crafts
[3] Maintenance and public exhibition of the USS North Carolina battleship
[4] Administration of programs for financing construction of low and moderate income housing and investment of funds on hand
[5] Operation of all port facilities in the State
[6] Operation, maintenance and control of all railway equipment and railway operations transferred to it by the State Ports Authority in January, 1981
[7] Administration and financing of low-interest loans to farmers
[8] Operation of concession stands, bookstores, vending and sales desks, and the State's Farmers' Market

NOTES TO THE FINANCIAL STATEMENTS

Segment information for the State's Internal Service Funds for the year ended June 30, 1989 is (expressed in thousands):

	Prison Enterprises [1]	*Central Governmental Services [2]*	*Motor Fleet Management [3]*	*Educational Materials and School Buses [4]*	*State Health Plan [5]*	*N.C. Teachers' and State Employees' Benefit Trust [6]*
Operating Statement Items						
Operating revenues	$ 38,543	$ 49,210	$ 17,651	$ 5,708	$ 372,648	$ 82,271
Depreciation	1,111	5,067	6,178	-	14	-
Operating income (loss)	2,369	7,453	3,602	(56,113)	31,894	11,990
Nonoperating revenues (expenses)	30	1	(373)	-	(1)	-
Operating transfers in	-	96	1	57,166	-	-
Operating transfers out	(940)	(1)	-	-	-	(60)
Extraordinary loss	-	(12)	-	-	-	-
Additions to contributed capital	-	4	1	-	-	-
Net Income (Loss)	1,459	7,537	3,230	1,053	31,893	11,930
Balance Sheet Items						
Net working capital	15,076	12,203	4,577	12,289	14,819	82,331
Non-current assets	-	9	-	-	-	-
Fixed asset additions	791	4,997	14,071	-	87	-
Fixed asset deletions	237	162	7,608	-	4	-
Total assets	24,586	43,520	44,002	24,866	84,714	84,311
Capital leases	-	1,032	-	-	-	-
Total equity	22,967	37,199	43,044	12,289	14,912	82,331

	Disability Income Plan of N.C. [7]	*Public School Insurance [8]*	*State Property Fire Ins. [9]*	*Other Funds [10]*	*Total*
Operating Statement Items					
Operating revenues	$ 28,867	$ 6,171	$ 6,478	$ 6,581	$ 614,128
Depreciation	-	-	-	652	13,022
Operating income (loss)	25,267	1,136	1,294	70	28,962
Nonoperating revenues (expenses)	-	-	-	154	(189)
Operating transfers in	-	-	-	-	57,263
Operating transfers out	-	-	(2,346)	-	(3,347)
Extraordinary loss	-	-	-	-	(12)
Additions to contributed capital	-	-	-	2,139	2,144
Net income (loss)	25,267	1,136	(1,052)	224	82,677
Balance Sheet Items					
Net working capital	39,063	32,352	10,365	1,928	225,003
Non-current assets	-	-	-	-	9
Fixed asset additions	-	-	-	2,391	22,337
Fixed asset deletions	-	-	-	39	8,050
Total assets	39,126	34,869	11,523	14,794	406,311
Capital leases	-	-	-	-	1,032
Total equity	39,063	32,352	10,365	14,313	308,835

Principal internal service fund activities:

[1] Printing, upholstering and moving services; production of vehicle license plates

[2] Parking, printing, computer and courier services

[3] Purchase, issuance and maintenance of vehicles in the State Motor Pool

[4] Purchase of textbooks, other instructional materials and school buses for public schools

NOTES TO THE FINANCIAL STATEMENTS

Principal internal service fund activities (continued):

[5] Administration of a health care benefit plan for State employees
[6] Administration of a combined employee benefit plan which provides death benefits to public employees and funds State retirees' health plan coverage
[7] Provides short-term and long-term disability coverage for teachers and State employees
[8] Fire, theft and vandalism insurance for public school buildings and contents; risk management services
[9] Self-insurance against losses due to fire in state-owned buildings
[10] State Library Processing Center, laundry services, telephone services, surplus property and copying services for the court system

NOTE 6: COMMITMENTS AND CONTINGENCIES

A. RISK MANAGEMENT

As discussed in Note 3 M, the State is self-insured for workers' compensation and unemployment compensation claims and for property losses up to $2,000,000 in any one fiscal year.

B. NO COMMITMENT DEBT

The State, by action of the General Assembly, created the North Carolina Medical Care Commission which is authorized to provide for the issuance of bonds for purposes of providing nonstate hospitals, medical centers and related facilities with a low-cost source of financing capital construction. The bonds are not an indebtedness of the State and, accordingly, are not reflected in the accompanying financial statements. The indebtedness of each entity served by the bonds is secured by the property financed and is serviced and administered by a trustee independent of the State. Maturing serially to calendar year 2019, outstanding bond principal as of June 30, 1989, was $1,021,040,763 at interest rates varying from 4.4 to 14.0 percent.

C. LITIGATION

State Tax Refunds - Federal Retirees. In *Davis v. Michigan* (decided March 28, 1989), the United States Supreme Court ruled that a Michigan income tax statute which taxed federal retirement benefits while exempting those paid by state and local governments violated the constitutional doctrine of intergovernmental tax immunity. At the time of the *Davis* decision, North Carolina law contained a similar exemption in favor of state and local retirees. That provision has been repealed prospectively, beginning with the 1989 tax year. All public pensions are now entitled to a $4,000 annual exclusion.

Following *Davis*, federal retirees filed a class action suit alleging civil rights violations and seeking damages equal to the North Carolina income tax paid on federal retirement income by the class members. The complaint alleges that the amount in controversy exceeds $140 million. The North Carolina Attorney General's office is unable to predict the outcome of this litigation or the potential liability but believes that sound legal arguments support the State's position.

Other Litigation. The State is involved in numerous claims and legal proceedings, many of which normally recur in governmental operations. A review of the status of outstanding lawsuits involving the State by the North Carolina Attorney General did not disclose any proceedings that are expected to have a material adverse effect on the financial position of the State.

D. FEDERAL GRANTS

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies, although it is believed that disallowances, if any, will be immaterial.

E. HIGHWAY CONSTRUCTION

The State may be liable for approximately $7.9 million to contractors for highway construction claims that the State has contested.

F. FOOD STAMP COUPONS

The State had custodial responsibility at June 30, 1989 for $76 million of U.S. Department of Agriculture food stamp coupons for which the State is liable in the event of loss.

NOTES TO THE FINANCIAL STATEMENTS

G. USDA-DONATED COMMODITIES

The State has custodial responsibility for $2.2 million of U.S. Department of Agriculture donated food commodities for which the State is liable in the event of loss.

H. PURCHASE COMMITMENTS - MORTGAGE LOANS

Simultaneous with the issuance of bonds, the N.C Housing Finance Agency agreed with certain mortgage lenders to purchase mortgage loans. At June 30, 1989, the following purchase commitments remained outstanding (expressed in thousands):

	Original Commitment	Outstanding Commitment
Single Family Revenue Bonds:		
Series G/H	$ 65,150	$ 6,007
Series I	55,120	55,120
Total Commitments		$ 61,127

I. VENTURE CAPITAL FUNDING

Included in the approved list of marketable securities eligible for investment (described in Note 3 E), the General Assembly has expressly authorized the State Treasurer to invest the cash balances of the General Fund and the Highway Fund in excess of the amounts needed to meet the current and foreseeable needs and demands on these funds in:

a. Limited partnership interests in partnerships which are managed primarily for the purpose of investment in venture capital or corporate buyout transactions, not to exceed 3% of the cash balances as shown on the records of the State Treasurer for the General Fund and the Highway Fund, and
b. Securities of The North Carolina Enterprise Corporation, not to exceed $20 million.

To implement this new investment program, the State Treasurer has initiated a program to invest a portion of the funds authorized in a diversified venture capital portfolio. The diversification is obtained through the use of multiple and separately managed limited partnerships and The North Carolina Enterprise Corporation. Investments are dispersed geographically, by industry and by stage of development.

At June 30, 1989, the newly authorized investments of the General and Highway Funds were:

	Funds Committed	Funds Invested	Percent of Commit. Invested
General Fund:			
Venture capital partnerships	$13,135,780	$4,155,293	32%
N.C. Enterprise Corp.	6,006,000	1,501,500	25%
Total General Fund	19,141,780	5,656,793	30%
Highway Fund:			
Venture capital partnerships	5,365,220	1,679,549	31%
N.C. Enterprise Corp.	4,004,000	1,001,000	25%
Total Highway Fund	9,369,220	2,680,549	29%
Total Venture Capital	$28,511,000	$8,337,342	29%

Accordingly, the fund balances of the General Fund and the Highway Fund include $19,141,780 and $9,369,220, respectively, which have been reserved for the commitments described above.

Subsequent to June 30, 1989, commitments for venture capital investments were increased to $23,561,780 in the General Fund and to $11,449,220 in the Highway Fund. As of October 31, 1989, actual venture capital investments were $7,285,793 in the General Fund and $3,401,549 in the Highway Fund.

NOTE 7: SUBSEQUENT EVENTS

Hurricane Hugo. On September 21, 1989, Hurricane Hugo struck western North Carolina, causing serious damage to counties and communities in that part of the State. The southeastern coast also suffered some storm-related damage. Certain counties were declared Federal disaster areas which made the State eligible for Federal disaster funds. The Federal Emergency Management Agency (FEMA) is providing the State and its citizens financial assistance. Under FEMA guidelines, the State's share of disaster assistance is 25%. The State is unable to determine its eventual liability in providing disaster assistance, but it has set up a $21.1 million reserve for matching federal funds.

Parking Bonds. On August 25, 1989, the University of North Carolina at Chapel Hill issued $11.8 million of Parking System Revenue Bonds, Series B. The bonds will mature annually on June 1 from 1991 to 2000.

REQUIRED SUPPLEMENTARY INFORMATION
ACTUARIAL ANALYSIS OF FUNDING PROGRESS
ALL PENSION TRUST FUNDS

June 30, 1989

(Expressed in Thousands)

System	Fiscal Year Ended	Net Assets (at cost) Available For Benefits	Pension Benefit Obligation	Percentage Funded (1) / (2)	Unfunded (Assets in Excess of) Pension Benefit Obligation (2) - (1)	Actuary's Annual Covered Payroll	Unfunded (Assets in Excess of) Pension Benefit Obligation As a Percentage of Covered Payroll (4) / (5)
		(1)	(2)	(3)	(4)	(5)	(6)
Teachers' and State Employees'	12-31-88	$ 11,386,677	$ 11,614,756	98.04%	$ 228,079	$ 4,551,222	5.01%
	12-31-87	10,199,107	10,478,234	97.34%	279,127	4,221,927	6.61%
Consolidated Judicial	12-31-88	$ 79,204	$ 101,416	78.10%	$ 22,212	$ 22,157	100.25%
	12-31-87	69,587	90,114	77.22%	20,527	20,762	98.87%
Legislative	12-31-88	$ 3,695	$ 5,838	63.29%	$ 2,143	$ 1,894	113.15%
	12-31-87	2,766	[1]	[1]	[1]	1,680	[1]
Firemen, Rescue Workers'	6-30-88	$ 60,496	$ 82,416	73.40%	$ 21,920	N/A	N/A
	6-30-87	51,673	74,648	69.22%	22,975	N/A	N/A
National Guard	12-31-88	$ 7,506	$ 22,784	32.94%	$ 15,278	N/A	N/A
	12-31-87	5,903	21,683	27.22%	15,780	N/A	N/A
Local Government	12-31-88	$ 2,515,369	$ 2,323,781	108.24%	$ (191,588)	$ 1,419,013	(13.50%)
	12-31-87	2,225,723	2,090,967	106.44%	(134,756)	1,280,303	(10.52%)

[1] - Information not available

N/A - Not Applicable

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE
ALL PENSION TRUST FUNDS

For the Ten-Year Period 1979 to 1988 (January 1 to December 31)

(Expressed in Thousands)

Teachers' and State Employees' Retirement System

Revenues by Source

Fiscal Year	Contributions Employee	Contributions Employer	Investment Earnings	Miscellaneous	Transfers In	Total Revenues
1988	$ 286,367	$ 437,282	$ 966,015	$ 262	$ 3,440	$ 1,693,366
1987	266,435	435,561	1,144,640	498	3,513	1,850,647
1986	247,931	408,986	905,774	608	2,287	1,565,586
1985	227,099	372,991	746,474	591	134,886 [A]	1,482,041
1984	198,360	323,052	600,981	556	1,703	1,124,652
1983	181,724	290,360	526,433	572	1,003	1,000,092
1982	177,106	281,880	469,761	386	1,220	930,353
1981	167,542	262,722	370,070	343	1,054	801,731
1980	155,403	233,310	299,301	323	1,078	689,415
1979	139,056	210,882	233,400	449	973	584,760

Expenses by Type

Fiscal Year	Benefit Payments	Administrative Expenses	Refund of Contributions	Other Expenses	Transfers Out	Total Expenses
1988	$ 464,754	$ 2,795	$ 36,278	$ 7	$ 1,962	$ 505,796
1987	419,733	2,653	35,540	1	1,558	459,485
1986	378,700	2,471	34,222	3	1,284	416,680
1985	339,165	2,334	37,166	-	1,056	379,721
1984	293,576	2,200	37,204	13	1,165	334,158
1983	259,892	1,947	36,331	8	821	298,999
1982	233,273	1,748	34,181	1	745	269,948
1981	205,839	1,701	33,973	23	1,168	242,704
1980	177,183	1,602	26,589	3	914	206,291
1979	158,571	1,662	23,807	7	831	184,878

[A] A portion of the Law Enforcement Officers' Retirement System was closed out and merged into the Teachers' and State Employees' Retirement System on January 1, 1985.

Employer Contributions as a Percentage of Annual Covered Payroll

Fiscal Year	Percentage	Fiscal Year	Percentage
1988	9.35%	1983	9.56%
1987	10.32%	1982	9.55%
1986	10.43%	1981	9.56%
1985	10.40%	1980	9.08%
1984	10.08%	1979	9.16%

Contributions were made in accordance with actuarially determined contribution requirements. There were no changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies or other factors that would significantly affect the information presented above.

Employer and employee contributions include service purchases and other supplemental funding not based on actuarial requirements.

Consolidated Judicial Retirement System

Revenues by Source

Fiscal Year	Contributions Employee	Contributions Employer	Investment Earnings	Misc.	Transfers In	Total Revenues
1988	$ 1,372	$ 6,672	$ 6,631	$ -	$ -	$ 14,675
1987	1,398	6,205	. 594	2	-	15,199
1986	1,231	5,739	5,967	-	-	12,937
1985	1,177	6,656	4,800	29	-	12,662
1984	1,091	6,098	3,726	-	-	10,915
1983	894	4,322	3,083	-	-	8,299
1982	885	4,128	2,646	-	3	7,662
1981	856	3,848	1,960	-	-	6,664
1980	752	3,583	1,473	-	17	5,825
1979	702	3,336	1,078	-	-	5,116

Expenses by Type

Fiscal Year	Benefit Payments	Administrative Expenses	Refund of Contributions	Other Expenses	Transfers Out	Total Expenses
1988	$ 5,026	$ 16	$ 16	$ -	$ -	$ 5,058
1987	4,965	18	139	7	-	5,129
1986	4,390	17	41	-	-	4,448
1985	3,834	16	70	-	-	3,920
1984	3,173	20	54	-	-	3,247
1983	2,798	22	142	-	-	2,962
1982	2,302	12	24	-	-	2,338
1981	2,115	11	55	-	-	2,181
1980	1,686	9	19	-	-	1,714
1979	1,545	7	28	-	-	1,580

Legislative Retirement System

Revenues by Source

Fiscal Year	Contributions Employee	Contributions Employer	Investment Earnings	Misc.	Total Revenues
1988	$ 123	$ 696	$ 287	$ -	$ 1,106
1987	129	591	247	-	967
1986	139	594	154	-	887
1985	526	463	79	27	1,095
1984	-	-	-	-	-
1983	-	-	-	-	-
1982	-	-	-	-	-
1981	-	-	-	-	-
1980	-	-	-	-	-
1979	-	-	-	-	-

Expenses by Type

Fiscal Year	Benefit Payments	Administrative Expenses	Refund of Contributions	Total Expenses
1988	$ 174	$ 2	$ 2	$ 178
1987	155	2	8	165
1986	114	2	1	117
1985	76	1	4	81
1984	-	-	-	-
1983	-	-	-	-
1982	-	-	-	-
1981	-	-	-	-
1980	-	-	-	-
1979	-	-	-	-

NOTE: The Legislative Retirement System was established on February 6, 1985.

Employer Contributions as a Percentage of Annual Covered Payroll

Fiscal Year	Percentage	Fiscal Year	Percentage
1988	29.71%	1983	27.84%
1987	29.89%	1982	28.78%
1986	30.62%	1981	28.79%
1985	35.61%	1980	27.93%
1984	34.12%	1979	28.27%

Fiscal Year	Percentage	Fiscal Year	Percentage
1988	35.76%	1983	-
1987	35.18%	1982	-
1986	37.69%	1981	-
1985	29.53%	1980	-
1984	-	1979	-

Contributions were made in accordance with actuarially determined contribution requirements. There were no changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies or other factors that would significantly affect the information presented above.

Employer and employee contributions include service purchases and other supplemental funding not based on actuarial requirements.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE (CONTINUED)
ALL PENSION TRUST FUNDS

For the Ten-Year Period 1979 to 1988 (January 1 to December 31)

(Expressed in Thousands)

Firemen and Rescue Squad Workers' Pension Fund

Revenues by Source

[A] Fiscal Year	Contributions Employee	Contributions State	Investment Earnings	Misc.	Total Revenues
1989	$ 1,267	$ 5,685	$ 5,998	$ -	$ 12,950
1988	2,804	5,685	6,425	-	14,914
1987	6,232	4,185	4,831	-	15,248
1986	881	1,755	4,286	21	6,943
1985	827	2,574	3,518	-	6,919
1984	1,407	2,875	2,984	-	7,266
1983	1,030	2,828	2,722	-	6,580
1982	652	3,163	2,098	-	5,913
1981	1,167	1,103	1,997	-	4,267
1980	1,409	1,203	1,334	-	3,946

Expenses by Type

Fiscal Year	Benefit Payments	Refund of Contributions	Total Expenses
1989	$ 6,003	$ 285	$ 6,288
1988	5,737	354	6,091
1987	4,372	212	4,584
1986	2,797	240	3,037
1985	2,703	160	2,863
1984	2,566	133	2,699
1983	2,330	130	2,460
1982	1,805	153	1,958
1981	1,320	140	1,460
1980	1,167	107	1,274

[A] - For the fiscal years ended June 30, 1980 to 1989

National Guard Pension Fund

Revenues by Source

Fiscal Year	State Contributions	Investment Earnings	Total Revenues
1988	$ 1,800	$ 575	$ 2,375
1987	1,800	493	2,293
1986	1,740	353	2,093
1985	1,718	207	1,925
1984	1,718	84	1,802
1983	532	18	550
1982	-	-	-
1981	-	-	-
1980	-	-	-
1979	-	-	-

Expenses by Type

Fiscal Year	Benefit Payments	Administrative Expenses	Total Expenses
1988	$ 761	$ 11	$ 772
1987	692	10	702
1986	636	10	646
1985	607	10	617
1984	558	13	571
1983	221	2	223
1982	-	-	-
1981	-	-	-
1980	-	-	-
1979	-	-	-

The National Guard Pension Fund was established on July 1, 1983.

NOTE: Disclosure of employer contributions as a percentage of annual covered payroll is not applicable for the Firemen and Rescue Squad Workers' and the National Guard Pension Funds since State contributions are not based on annual covered payroll.

Contributions were made in accordance with actuarially determined contribution requirements. There were no changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies or other factors that would significantly affect the information presented above.

State and employee contributions include service purchases and other supplemental funding not based on actuarial requirements.

Local Governmental Employees' Retirement System

Revenues by Source

Fiscal Year	Contributions Employee	Contributions Employer	Investment Earnings	Court Costs	Miscellaneous	Transfers In	Total Revenues
1988	$ 90,400	$ 89,786	$ 212,193	$ 4,378	$ 17	$ 1,962	$ 398,736
1987	84,200	94,981	244,538	3,982	92	1,557	429,350
1986	73,744	79,824	196,185	1,332	114	255,138 [A]	606,337
1985	58,398	68,129	132,063	-	24	1,056	259,670
1984	52,973	57,093	106,703	-	68	1,165	218,002
1983	48,874	52,942	91,128	-	24	820	193,788
1982	45,527	46,755	79,482	-	5	742	172,511
1981	42,526	43,157	61,220	-	5	1,168	148,076
1980	39,079	40,443	48,326	-	5	897	128,750
1979	34,197	34,901	36,951	-	35	831	106,915

Expenses by Type

Fiscal Year	Benefit Payments	Administrative Expenses	Refund of Contributions	Other Expenses	Transfers Out	Total Expenses
1988	$ 84,938	$ 862	$ 19,844	$ 6	$ 3,440	$ 109,090
1987	74,527	822	18,794	-	3,517	97,660
1986	63,239	848	19,518	121	2,287	86,013
1985	45,880	665	16,250	-	1,875	64,670
1984	39,230	633	14,533	-	1,660	56,056
1983	33,776	542	12,221	2	941	47,482
1982	30,102	497	11,027	-	1,159	42,785
1981	24,936	482	11,652	1	2,386	39,457
1980	21,795	453	9,218	1	1,453	32,920
1979	19,254	428	9,366	1	945	29,994

[A] A portion of the Law Enforcement Officers' Retirement System was closed out and merged into the Local Governmental Employees' Retirement System on January 1, 1986.

Employer Contributions as a Percentage of Annual Covered Payroll

Fiscal Year	Percentage	Fiscal Year	Percentage
1988	6.05%	1983	6.78%
1987	7.42%	1982	6.35%
1986	6.90%	1981	6.37%
1985	6.41%	1980	6.57%
1984	6.83%	1979	6.66%

Contributions were made in accordance with actuarially determined contribution requirements. There were no changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies or other factors that would significantly affect the information presented above.

Employer and employee contributions include service purchases and other supplemental funding not based on actuarial requirements.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE (CONTINUED) ALL PENSION TRUST FUNDS

For the Ten-Year Period 1979 to 1988 (January 1 to December 31)

(Expressed in Thousands)

Law Enforcement Officers' Retirement System

Revenues by Source

Fiscal Year	Contributions Employee	Contributions Employer	Investment Earnings	Court Costs	State Appropriations	Miscellaneous	Transfers In	Total Revenues
1988								N/A
1987								N/A
1986								N/A
1985	$ 8,580	$ 11,684	$ 33,168	$ 1,154	$ -	$ 1	$ -	$ 54,587
1984	11,275	18,242	37,644	1,541	-	1	7	68,710
1983	10,318	17,069	33,087	2,307	-	2	1	62,784
1982	9,676	15,860	29,080	2,161	-	-	-	56,777
1981	8,783	13,848	22,503	2,385	-	-	1,375	48,894
1980	7,823	9,966	18,405	2,469	644	-	404	39,711
1979	6,978	6,784	14,838	2,456	1,432	12	-	32,500

Expenses by Type

Fiscal Year	Benefit Payments	Administrative Expenses	Refund of Contributions	Other Expenses	Transfers Out		Total Expenses
1988							N/A
1987							N/A
1986							N/A
1985	$ 8,745	$ 115	$ 2,642	$ -	$ 158,863	[A]	$ 170,365
1984	11,839	118	3,308	1	6,545		21,811
1983	10,347	102	3,215	1	64		13,729
1982	8,783	88	2,560	-	61		11,492
1981	7,639	85	2,799	-	24		10,547
1980	6,140	89	2,351	-	29		8,609
1979	5,249	117	2,694	-	28		8,088

[A] The Law Enforcement Officers' Retirement System was closed out and merged into the Teachers' and State Employees' and the Local Governmental Employees' Retirement Systems.

Contributions were made in accordance with actuarially determined contribution requirements. There were no changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies or other factors that would significantly affect the information presented above.

Employer and employee contributions include service purchases and other supplemental funding not based on actuarial requirements.

COMBINING, INDIVIDUAL FUND AND ACCOUNT GROUP STATEMENTS AND SCHEDULES

Index

General Fund........ 80

Special Revenue Funds........ 87

Debt Service Funds........ 97

Capital Projects Funds........ 100

Enterprise Funds........ 103

Internal Service Funds........ 113

Trust and Agency Funds........ 123

General Fixed Assets Account Group........ 143

General Long-Term Obligations Account Group........ 146

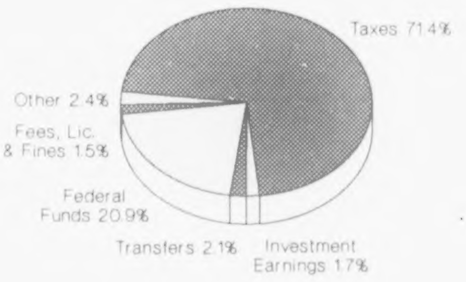
University Funds........ 150

GENERAL FUND

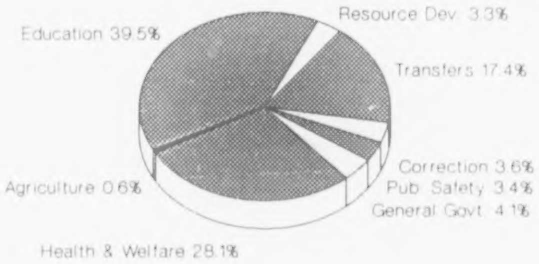
The General Fund is maintained to account for all financial resources received and used for services traditionally provided by a state government. These services include general government, public safety and regulation, corrections, health, welfare and rehabilitation, resource development and preservation, agriculture, and any other services not accounted for in another fund.

The charts below provide a breakdown of the General Fund revenues and expenditures for the year ended June 30, 1989, on the modified accrual basis of accounting (GAAP). Under this basis, total expenditures and other uses exceeded revenues and other sources by $290.7 million in 1989.

Revenues and other sources increased $524 million over the prior year, or 7%, (revenues increased $477 million and operating transfers in increased $47 million), primarily as a result of increases in tax revenues and in federal funds. Expenditures and other uses increased $736 million over the prior year, or 9% (expenditures increased $801 million and operating transfers out decreased $65 million), primarily as a result of increases of $315 million in health, welfare and rehabilitation, $319 million in education, and $95 million in general government.



General Fund Revenues



General Fund Expenditures

COMPARATIVE BALANCE SHEETS
GENERAL FUND

June 30, 1989 and 1988

Exhibit B-1

(Expressed in Thousands)

	June 30, 1989	June 30, 1988
Assets		
Cash and Cash Equivalents	$ 764,270	$ 1,012,479
Investments	10,892	5,235
Receivables:		
Accounts Receivable	91,405	77,698
Intergovernmental Receivables	216,104	181,088
Investment Earnings	11,173	12,393
Interfund Receivables	6,104	10,275
Inventories	29,658	26,861
Total Assets	$ 1,129,606	$ 1,326,029
Liabilities and Fund Balance		
Liabilities:		
Accounts Payable and Accrued Liabilities:		
Accounts Payable	$ 28,392	$ 27,521
Public Assistance Claims Payable	197,331	165,573
Accrued Payroll	6,427	5,613
Intergovernmental Payables	545,708	497,979
Interfund Payables	24,764	21,017
Deposits Payable	417	164
Deferred Revenue	72,998	66,733
Total Liabilities	876,037	784,600
Fund Balance:		
Reserved	103,592	117,927
Unreserved:		
Designated for Subsequent Years' Expenditures	44,957	55,277
Undesignated	105,020	368,225
Total Fund Balance	253,569	541,429
Total Liabilities and Fund Balance	$ 1,129,606	$ 1,326,029

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GENERAL FUND

For the Fiscal Years Ended June 30, 1989 and 1988

Exhibit B-2

(Expressed in Thousands)

	June 30, 1989	June 30, 1988
Revenues:		
Taxes	$ 6,072,786	$ 5,775,503
Federal Funds	1,778,720	1,602,253
Local Funds	121,324	86,703
Investment Earnings	146,494	172,564
Sales and Services	49,034	67,813
Sale, Rental and Lease of Property	4,795	4,297
Fees, Licenses and Fines	129,000	120,489
Contributions, Gifts and Grants	1,303	1,159
Miscellaneous	25,016	20,459
Total Revenues	8,328,472	7,851,240
Expenditures:		
Current:		
General Government	364,199	269,396
Public Safety and Regulation	296,262	269,317
Corrections	319,082	276,272
Public Education and Community Colleges	3,477,927	3,158,861
Health, Welfare and Rehabilitation	2,464,186	2,148,724
Resource Development and Preservation	286,898	287,964
Agriculture	52,503	49,091
Total Expenditures	7,261,057	6,459,625
Excess Revenues Over Expenditures	1,067,415	1,391,615
Other Financing Sources (Uses):		
Operating Transfers In	174,952	128,683
Operating Transfers Out	(1,533,091)	(1,598,519)
Total Other Financing Sources (Uses)	(1,358,139)	(1,469,836)
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(290,724)	(78,221)
Fund Balance - July 1 - As Previously Reported	541,429	608,425
Restatements	56	-
Residual Equity Transfers:		
Transfers In	11	9,000
Increase In Reserve for Inventories	2,797	2,225
Fund Balance - June 30	$ 253,569	$ 541,429

COMPARATIVE SCHEDULES OF REVENUES BY SOURCE GENERAL FUND

For the Fiscal Years Ended June 30, 1989 and 1988

Exhibit B-3

(Expressed in Thousands)

	June 30, 1989	June 30, 1988
Tax Revenues:		
Income Tax	$ 3,685,617	$ 3,485,210
Sales and Use Tax	1,689,572	1,600,746
Franchise Tax	236,306	234,686
Beverage Tax	127,632	122,530
Insurance Tax	187,072	186,461
Inheritance Tax	67,151	60,417
Soft Drink Tax	27,912	27,365
Cigarette Tax	7,949	16,161
License Tax	24,929	27,276
Building and Loan Association Tax	13,203	8,696
Gift Tax	4,593	5,003
Other Taxes	850	952
Total Tax Revenues	6,072,786	5,775,503
Non-Tax Revenues:		
Federal Funds:		
Departmental Revenues	1,778,720	1,602,253
Local Funds:		
Departmental Revenues	121,324	86,703
Investment Earnings:		
Income from Treasurer's Investments	140,709	166,490
Railroad Dividends	166	217
Departmental Revenues	5,619	5,857
	146,494	172,564
Sales and Services:		
Departmental Revenues	49,034	67,813
Sale, Rental and Lease of Property:		
Proceeds from Sale, Rental and Lease of Property	313	302
Departmental Revenues	4,482	3,995
	4,795	4,297
Fees, Licenses and Fines:		
Court Fines and Fees	48,814	42,289
Securities Registration Fees	3,897	3,771
Banking and Investment Fees	2,431	2,233
Self Insurer Fees (Industrial Commission)	2,379	2,425
Corporations Licenses and Fees	2,238	2,167
Gasoline and Oil Inspection Fees	1,239	1,198
Uniform Commercial Code Fees	980	951
Notary Licenses and Fees	385	373
Probation Supervision Fees	5,904	4,580
Elections Filing Fees	10	168
Departmental Revenues	53,607	54,053
Other Non-Tax Revenues	7,116	6,281
	129,000	120,489
Contributions, Gifts and Grants:		
Departmental Revenues	1,303	1,159
Miscellaneous:		
Intangible Tax Administration	2,665	2,446
Local Sales and Use Tax Administration	5,342	5,152
Other Non-Tax Revenue	505	478
Departmental Revenues	16,504	12,383
	25,016	20,459
Total Non-Tax Revenues	2,255,686	2,075,737
Total Revenues	$ 8,328,472	$ 7,851,240

SCHEDULE OF EXPENDITURES BY FUNCTION AND DEPARTMENT GENERAL FUND

For the Fiscal Year Ended June 30, 1989

(Expressed in Thousands)

		Function		
Department	Total	General Government	Public Safety and Regulation	Corrections
General Assembly	$ 18,971	$ 18,971	$ -	$ -
Governor	66,605	66,605	-	-
Lieutenant Governor	745	745	-	-
Secretary of State	3,164	3,164	-	-
State Auditor	13,112	13,112	-	-
State Treasurer	9,372	9,372	-	-
State Controller	5,008	5,008	-	-
Administration	47,009	47,009	-	-
Revenue	197,641	197,641	-	-
State Board of Elections	338	338	-	-
Judicial	175,920	-	175,920	-
Justice	56,355	-	56,355	-
Labor	10,643	-	10,643	-
Insurance	15,884	-	15,884	-
Crime Control and Public Safety	37,460	-	37,460	-
Correction	319,082	-	-	319,082
Public Instruction	3,098,823	-	-	-
Community Colleges	372,989	-	-	-
Cultural Resources	42,244	-	-	-
Human Resources	2,464,186	-	-	-
Natural Resources and Community Development	181,796	-	-	-
Commerce	62,858	-	-	-
Agriculture	52,503	-	-	-
School of Science and Mathematics	6,115	-	-	-
Office of Administrative Hearings	2,034	2,034	-	-
Administrative Rules Review Commission	200	200	-	-
Total Expenditures	$ 7,261,057	$ 364,199	$ 296,262	$ 319,082

Exhibit B-4

Function			
Public Education and Community Colleges	Health, Welfare and Rehabilitation	Resource Development and Preservation	Agriculture
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
3,098,823	-	-	-
372,989	-	-	-
-	-	42,244	-
-	2,464,186	-	-
-	-	181,796	-
-	-	62,858	-
-	-	-	52,503
6,115	-	-	-
-	-	-	-
-	-	-	-
$ 3,477,927	$ 2,464,186	$ 286,898	$ 52,503

COMPARATIVE SCHEDULES OF EXPENDITURES BY OBJECT GENERAL FUND

For the Fiscal Years Ended June 30, 1989 and 1988

Exhibit B-5

(Expressed in Thousands)

	June 30, 1989	June 30, 1988
Current Expenditures:		
Personal Services	$ 974,833	$ 903,664
Employee Benefits	258,182	231,812
Contracted Personal Services	67,755	61,901
Supplies and Materials	85,761	77,570
Travel	32,358	29,398
Communications	26,450	22,064
Utilities	28,369	27,355
Data Processing Services	18,867	14,649
Other Services	43,594	37,796
Rental of Property and Equipment	12,138	11,796
Other Pensions and Benefits	305	303
Other Fixed Charges	27,950	24,831
Capital Outlay	46,648	63,611
Grants, State Aid and Subsidies:		
Elementary and Secondary Public Education	3,039,966	2,744,148
Human Resources	2,025,979	1,592,942
Community Colleges	360,406	320,852
Other Grants, State Aid and Subsidies	208,227	291,395
Other Expenditures	3,269	3,538
Total Expenditures	$ 7,261,057	$ 6,459,625

SPECIAL REVENUE FUNDS

The Special Revenue Funds are maintained to account for those financial resources which are restricted by legal, regulatory or administrative action to finance particular functions or activities of the State.

The following activities are included in Special Revenue Funds:

Highway Fund. To account for highway construction and maintenance activities funded by highway user taxes and Federal grants.

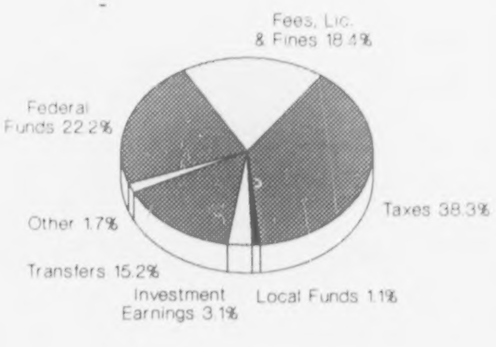
Bond Funds. To account for Highway, Clean Water and Public School Facility activities funded by the issue of General Obligation Bonds.

Public School Building Capital Fund. To account for special funds accumulated from tax revenues for public school construction.

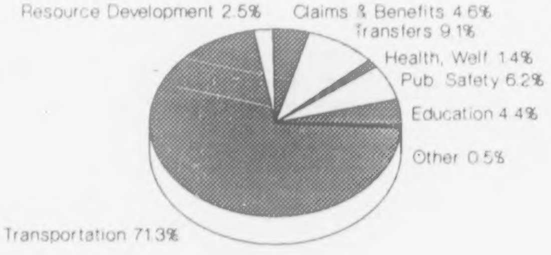
Critical School Facility Needs Fund. To account for funds designated for critical school needs.

Departmental. To account for special activities of General Government funded by various State and other governmental grants.

Summary. The charts provide a breakdown of Special Revenue Funds revenues and expenditures for the year ended June 30, 1989, on the modified accrual basis of accounting. Under this basis, total revenues and other sources exceeded expenditures and other uses by $31.5 million in 1989.



Special Funds Revenues



Special Funds Expenditures

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS

June 30, 1989 (With Comparative Totals for 1988)
(Expressed in Thousands)

	Highway Fund	Bond Funds	Public School Building Capital Fund	Critical School Facility Needs Fund
Assets				
Cash and Cash Equivalents	$ 342,483	$ 20,598	$ 124,005	$ 106,970
Investments	2,680	-	-	-
Receivables:				
Accounts Receivable	8,647	47	-	-
Intergovernmental Receivables	65,745	291	-	-
Investment Earnings	2,811	-	910	793
Other Receivables	1,738	-	-	-
Interfund Receivables	345	34	16,354	2,500
Inventories	52,638	-	-	-
Prepaid Items	76	-	-	-
Securities Held in Trust	-	-	-	-
Total Assets	$ 477,163	$ 20,970	$ 141,269	$ 110,263
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable and Accrued Liabilities:				
Accounts Payable	$ 23,349	$ -	$ -	$ -
Accrued Payroll	6,616	-	-	-
Intergovernmental Payables	68,757	684	-	-
Other Payables	1	-	-	-
Interfund Payables	571	345	-	-
Deposits Payable	22,229	-	-	-
Deferred Revenue	1,071	-	-	-
Total Liabilities	122,594	1,029	-	-
Fund Balances:				
Reserved	57,858	-	25,341	25,259
Unreserved:				
Designated for Subsequent Years' Expenditures	296,711	19,941	115,928	85,004
Total Fund Balances	354,569	19,941	141,269	110,263
Total Liabilities and Fund Balances	$ 477,163	$ 20,970	$ 141,269	$ 110,263

Exhibit C-1

Departmental Funds	Totals	
	June 30, 1989	June 30, 1988
$ 82,479	$ 676,535	$ 681,043
-	2,680	-
982	9,676	7,962
2,067	68,103	57,957
18	4,532	4,141
140	1,878	1,539
2,187	21,420	19,762
4,015	56,653	47,324
33	109	550
2,439	2,439	1,931
$ 94,360	$ 844,025	$ 822,209
$ 3,373	$ 26,722	$ 38,685
688	7,304	8,666
1,863	71,304	70,861
328	329	562
823	1,739	1,572
2,439	24,668	22,061
667	1,738	1,843
10,181	133,804	144,250
4,015	112,473	55,515
80,164	597,748	622,444
84,179	710,221	677,959
$ 94,360	$ 844,025	$ 822,209

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 1989 (With Comparative Totals for 1988)

(Expressed in Thousands)

	Highway Fund	Bond Funds	Public School Building Capital Fund	Critical School Facility Needs Fund
Revenues:				
Taxes	$ 618,472	$ -	$ -	$ -
Federal Funds	279,165	-	-	-
Local Funds	8,492	25	-	-
Investment Earnings	30,558	-	10,185	9,181
Sales and Services	-	-	-	-
Sale, Rental and Lease of Property	-	-	-	-
Fees, Licenses and Fines	262,473	-	-	-
Contributions, Gifts and Grants	5,675	-	-	-
Miscellaneous	13,484	-	-	-
Total Revenues	1,218,319	25	10,185	9,181
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety and Regulation	-	-	-	-
Corrections	-	-	-	-
Public Education and Community Colleges	-	30	19,337	10,439
Transportation	1,127,587	1,119	-	-
Health, Welfare and Rehabilitation	-	-	-	-
Resource Development and Preservation	-	8,662	-	-
Claims and Benefits Administration	-	-	-	-
Total Expenditures	1,127,587	9,811	19,337	10,439
Excess Revenues Over (Under) Expenditures	90,732	(9,786)	(9,152)	(1,258)
Other Financing Sources (Uses):				
Operating Transfers In	5,762	-	59,914	12,500
Operating Transfers Out	(121,391)	(80)	-	-
Total Other Financing Sources (Uses)	(115,629)	(80)	59,914	12,500
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(24,897)	(9,866)	50,762	11,242
Fund Balances - July 1 - As Previously Reported	379,336	29,807	90,507	99,021
Restatements	-	-	-	-
Residual Equity Transfers:				
Transfers In	-	-	-	-
Increase in Reserve for Related Assets	130	-	-	-
Fund Balances - June 30	$ 354,569	$ 19,941	$ 141,269	$ 110,263

Exhibit C-2

Departmental Funds	Totals June 30, 1989	Totals June 30, 1988
$ -	$ 618,472	$ 606,203
80,102	359,267	385,426
8,569	17,086	26,030
365	50,289	40,079
2,571	2,571	2,059
199	199	1,516
34,490	296,963	284,436
1,357	7,032	7,950
4,464	17,948	14,938
132,117	1,369,827	1,368,637
5,917	5,917	5,340
98,687	98,687	90,581
1,431	1,431	771
39,774	69,580	54,802
-	1,128,706	1,116,397
22,442	22,441	20,505
30,561	39,223	39,834
73,554	73,554	66,168
272,366	1,439,540	1,394,398
(140,249)	(69,713)	(25,761)
167,479	245,655	361,251
(22,989)	(144,460)	(144,477)
144,490	101,195	216,774
4,241	31,482	191,013
79,288	677,959	482,271
(203)	(203)	-
-	-	1,628
853	983	3,047
$ 84,179	$ 710,221	$ 677,959

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) BUDGETED SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 1989

(Expressed in Thousands)

	Highway Fund				
				Variance-Favorable (Unfavorable)	
	Certified Budget	Final Budget	Actual (Budgetary Basis)	Certified Budget	Final Budget
Revenues:					
General:					
Tax - Gasoline	$ 621,500	$ 616,600	$ 619,740	$ (1,760)	$ 3,140
Non-Tax:					
Fees, Licenses and Fines	243,500	249,041	255,652	12,152	6,611
Investment Income	28,000	28,000	30,558	2,558	2,558
Other	7,900	7,900	7,678	(222)	(222)
Departmental:					
Federal Funds	-	472,726	472,726	472,726	-
Local Funds	-	17,723	17,723	17,723	-
Inter-Agency Grants and Allocations	-	5,762	5,762	5,762	-
Intra-Agency Transfers	-	-	-	-	-
Sales and Services	-	-	-	-	-
Rental and Lease Income	-	-	-	-	-
Fees, Licenses and Fines	-	-	-	-	-
Contributions, Gifts and Grants	-	-	-	-	-
Universities	-	-	-	-	-
Miscellaneous	-	-	7,552	7,552	7,552
Total Revenues	900,900	1,397,752	1,417,391	516,491	19,639
Expenditures:					
Current:					
General Government	-	-	-	-	-
Public Safety and Regulation	-	-	-	-	-
Corrections	-	-	-	-	-
Public Education and Community Colleges	-	-	-	-	-
Transportation	918,718	1,714,414	1,253,059	(334,341)	461,355
Universities	-	-	-	-	-
Health, Welfare and Rehabilitation	-	-	-	-	-
Resource Development and Preservation	-	-	-	-	-
Claims and Benefits	-	-	-	-	-
Total Expenditures	918,718	1,714,414	1,253,059	(334,341)	461,355
Excess Revenues Over (Under) Expenditures	(17,818)	(316,662)	164,332	182,150	480,994
Fund Balances (Budgetary Basis-All Funds) at July 1, 1988	322,861	322,861	322,861	-	-
Deduct Unbudgeted Funds at July 1, 1988	-	-	-	-	-
Add Encumbrances and Reserves Reappropriated	733,540	733,540	733,540	-	-
Adjusted Fund Balances (Budgetary Basis) at July 1, 1988	1,056,401	1,056,401	1,056,401	-	-
Fund Balances (Budgetary Basis) at June 30, 1989	$ 1,038,583	$ 739,739	$ 1,220,733	$ 182,150	$ 480,994
Unbudgeted Funds			-		
Fund Balances (Budgeted and Unbudgeted Funds) at June 30, 1989			$ 1,220,733		

Exhibit C-3

Departmental Funds					Total				
			Variance-Favorable (Unfavorable)					Variance-Favorable (Unfavorable)	
Certified Budget	Final Budget	Actual (Budgetary Basis)	Certified Budget	Final Budget	Certified Budget	Final Budget	Actual (Budgetary Basis)	Certified Budget	Final Budget
$ -	$ -	$ -	$ -	$ -	$ 621,500	$ 616,600	$ 619,740	$ (1,760)	$ 3,140
-	-	-	-	-	243,500	249,041	255,652	12,152	6,611
-	-	-	-	-	28,000	28,000	30,558	2,558	2,558
-	-	-	-	-	7,900	7,900	7,678	(222)	(222)
112,389	116,057	98,494	(13,895)	(17,563)	112,389	588,783	571,220	458,831	(17,563)
634	852	8,737	8,103	7,885	634	18,575	26,460	25,826	7,885
154,762	179,575	177,164	22,402	(2,411)	154,762	185,337	182,926	28,164	(2,411)
33,693	39,315	58,296	24,603	18,981	33,693	39,315	58,296	24,603	18,981
3,621	3,973	4,062	441	89	3,621	3,973	4,062	441	89
204	227	189	(15)	(38)	204	227	189	(15)	(38)
29,785	29,598	30,721	936	1,123	29,785	29,598	30,721	936	1,123
39	1,005	1,045	1,006	40	39	1,005	1,045	1,006	40
36,346	40,527	86,266	49,920	45,739	36,346	40,527	86,266	49,920	45,739
8,689	9,996	26,792	18,103	16,796	8,689	9,996	34,344	25,655	24,348
380,162	421,125	491,766	111,604	70,641	1,281,062	1,818,877	1,909,157	628,095	90,280
69,596	148,988	59,134	10,462	89,854	69,596	148,988	59,134	10,462	89,854
124,917	133,735	121,707	3,210	12,028	124,917	133,735	121,707	3,210	12,028
2,397	2,984	2,918	(521)	66	2,397	2,984	2,918	(521)	66
4	125,721	47,736	(47,732)	77,985	4	125,721	47,736	(47,732)	77,985
-	-	-	-	-	918,718	1,714,414	1,253,059	(334,341)	461,355
33,954	48,103	87,662	(53,708)	(39,559)	33,954	48,103	87,662	(53,708)	(39,559)
30,899	31,805	23,701	7,198	8,104	30,899	31,805	23,701	7,198	8,104
54,568	60,774	49,346	5,222	11,428	54,568	60,774	49,346	5,222	11,428
67,036	67,036	87,363	(20,327)	(20,327)	67,036	67,036	87,363	(20,327)	(20,327)
383,371	619,146	479,567	(96,196)	139,579	1,302,089	2,333,560	1,732,626	(430,537)	600,934
(3,209)	(198,021)	12,199	15,408	210,220	(21,027)	(514,683)	176,531	197,558	691,214
218,288	218,288	218,288	-	-	541,149	541,149	541,149	-	-
(196)	(196)	(196)	-	-	(196)	(196)	(196)	-	-
-	-	-	-	-	733,540	733,540	733,540	-	-
218,092	218,092	218,092	-	-	1,274,493	1,274,493	1,274,493	-	-
$ 214,883	$ 20,071	$ 230,291	$ 15,408	$ 210,220	$ 1,253,466	$ 759,810	$ 1,451,024	$ 197,558	$ 691,214
		164					164		
		$ 230,455					$ 1,451,188		

COMPARATIVE SCHEDULES OF EXPENDITURES BY OBJECT HIGHWAY FUND

For the Fiscal Years Ended June 30, 1989 and 1988

Exhibit C-4

(Expressed in Thousands)

	June 30, 1989	June 30, 1988
Current Expenditures:		
Personal Services	$ 316,279	$ 299,494
Employee Benefits	24,522	22,676
Contracted Personal Services	19,783	23,230
Supplies and Materials	112,190	118,863
Travel	7,135	6,495
Communications	5,371	4,429
Utilities	6,412	7,206
Other Services	21,235	19,312
Rental of Property and Equipment	6,266	6,286
Other Fixed Charges	7,679	7,617
Payments to Contractors	436,717	433,697
Acquisition of Right of Way	40,233	50,116
Capital Outlay	39,858	31,605
Grants, State Aid and Subsidies	82,126	83,429
Other Expenditures	1,781	676
Total Expenditures	$ 1,127,587	$ 1,115,131

COMBINING BALANCE SHEET
SPECIAL REVENUE BOND FUNDS

June 30, 1989 (With Comparative Totals for 1988)

Exhibit C-5

(Expressed in Thousands)

	Highway	Clean Water	Public School Facilities	Totals June 30, 1989	Totals June 30, 1988
Assets					
Cash and Cash Equivalents	$ 7	$ 20,334	$ 257	**$ 20,598**	$ 30,235
Receivables:					
Accounts Receivable	47	-	-	**47**	47
Intergovernmental Receivables	291	-	-	**291**	506
Interfund Receivables	-	34	-	**34**	114
Total Assets	$ 345	$ 20,368	$ 257	**$ 20,970**	$ 30,902
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Accrued Liabilities:					
Intergovernmental Payables	$ -	$ 684	$ -	**$ 684**	$ 447
Interfund Payables	345	-	-	**345**	648
Total Liabilities	345	684	-	**1,029**	1,095
Fund Balances:					
Unreserved:					
Designated for Subsequent Years' Expenditures	-	19,684	257	**19,941**	29,807
Total Liabilities and Fund Balances	$ 345	$ 20,368	$ 257	**$ 20,970**	$ 30,902

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES SPECIAL REVENUE BOND FUNDS

For the Fiscal Year Ended June 30, 1989 (With Comparative Totals for 1988)

Exhibit C-6

(Expressed in Thousands)

	Highway	Clean Water	Public School Facilities	Totals June 30, 1989	Totals June 30, 1988
Revenues:					
Local Funds	$ 25	$ -	$ -	$ 25	$ 9
Miscellaneous Revenues	-	-	-	-	1
Total Revenues	25	-	-	25	10
Expenditures:					
Current:					
Public Education and Community Colleges	-	-	30	30	133
Transportation	1,119	-	-	1,119	1,266
Resource Development and Preservation	-	8,662	-	8,662	12,741
Total Expenditures	1,119	8,662	30	9,811	14,140
Excess Revenues Over (Under) Expenditures	(1,094)	(8,662)	(30)	(9,786)	(14,130)
Other Financing Sources (Uses):					
Operating Transfers Out	-	(80)	-	(80)	(87)
Total Other Financing Sources (Uses)	-	(80)	-	(80)	(87)
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,094)	(8,742)	(30)	(9,866)	(14,217)
Fund Balance - July 1 - As Previously Reported	1,094	28,426	287	29,807	44,024
Fund Balances - June 30	$ -	$ 19,684	$ 257	$ 19,941	$ 29,807

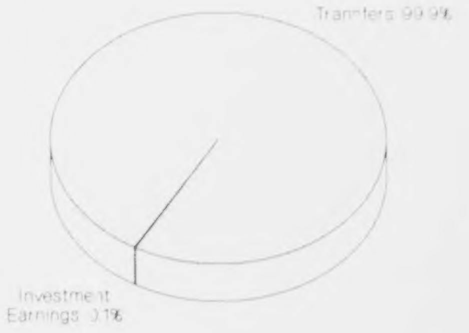
DEBT SERVICE FUNDS

The Debt Service Funds are maintained to account for the accumulation of resources for, and the payment of, principal and interest on General Long-Term Obligations not reported in the Proprietary Funds and University Funds. This debt includes General Obligation Bonds, ABC Commission Bonds and the Horse and Livestock Facility Bonds.

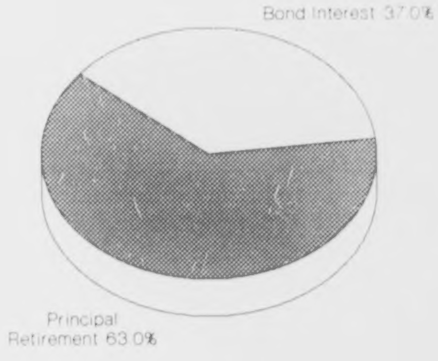
The charts provide a breakdown of Debt Service Funds revenues and expenditures for the year ended June 30, 1989, on the modified accrual basis of accounting .

Debt Service expenditures for long-term debt reported in the General Long-Term Obligation Account Group are made through the Debt Service Funds.

Debt Service Funds Revenues



Debt Service Funds Expenditures



COMBINING BALANCE SHEET
DEBT SERVICE FUNDS

June 30, 1989 (With Comparative Totals for 1988)

Exhibit D-1

(Expressed in Thousands)

	General Obligation Bonds	ABC Commission Bonds	Horse and Livestock Facility Bonds	Totals June 30, 1989	Totals June 30, 1988
Assets					
Cash and Cash Equivalents	$ 1,305	$ 1,610	$ -	$ 2,915	$ 3,927
Receivables:					
Investment Earnings	-	-	-	-	6
Interfund Receivables	27	-	-	27	1,130
Total Assets	$ 1,332	$ 1,610	$ -	$ 2,942	$ 5,063
Liabilities and Fund Balances					
Liabilities:					
Matured Bonds Payable	$ 965	$ -	$ -	$ 965	$ 700
Matured Interest Payable	367	-	-	367	268
Deferred Revenue	-	-	-	-	1,130
Total Liabilities	1,332	-	-	1,332	2,098
Fund Balances:					
Reserved for Debt Service	-	1,610	-	1,610	2,965
Total Liabilities and Fund Balances	$ 1,332	$ 1,610	$ -	$ 2,942	$ 5,063

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES DEBT SERVICE FUNDS

For the Fiscal Year Ended June 30, 1989 (With Comparative Totals for 1988)

Exhibit D-2

(Expressed in Thousands)

	General Obligation Bonds	ABC Commission Bonds	Horse and Livestock Facility Bonds	Totals June 30, 1989	Totals June 30, 1988
Revenues:					
Investment Earnings	$ -	$ -	$ 63	$ 63	$ 67
Total Revenues	-	-	63	63	67
Expenditures:					
Debt Service:					
Bond Principal Retirement	68,230	550	1,131	69,911	68,024
Bond Interest	40,702	312	55	41,069	45,158
Total Expenditures	108,932	862	1,186	110,980	113,182
Excess Revenues (Under) Expenditures	(108,932)	(862)	(1,123)	(110,917)	(113,115)
Other Financing Sources (Uses):					
Operating Transfers In	108,932	379	251	109,562	113,520
Total Other Financing Sources (Uses)	108,932	379	251	109,562	113,520
Excess Revenues and Other Sources Over Expenditures and Other Uses	-	(483)	(872)	(1,355)	405
Fund Balances - July 1 - As Previously Reported	-	2,093	872	2,965	4,180
Residual Equity Transfers:					
Transfers Out	-	-	-	-	(1,620)
Fund Balances - June 30	$ -	$ 1,610	$ -	$ 1,610	$ 2,965

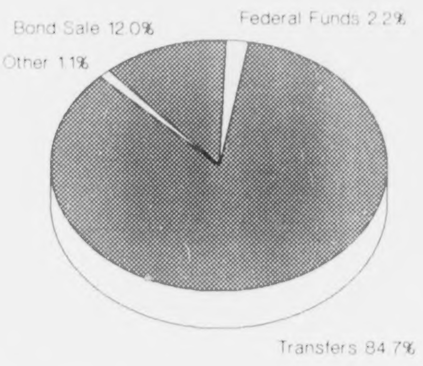
CAPITAL PROJECTS FUNDS

The Capital Projects Funds are maintained to account for those financial resources received and used for the acquisition, construction or improvement of major governmental General Fixed Assets financed principally by transfers from the General Fund or General Obligation Bonds.

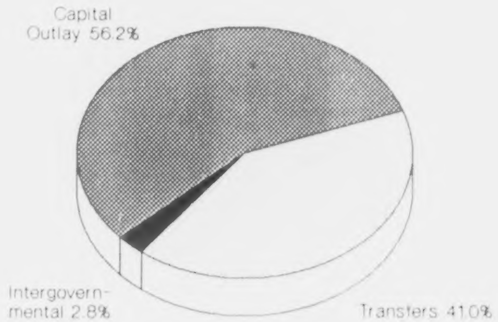
The charts provide a breakdown of Capital Projects Funds revenues and expenditures for the year ended June 30, 1989, on the modified accrual basis of accounting.

The net effect of revenues and other sources over expenditures and other uses was an increase of $36.5 million in the Capital Projects Funds fund balance.

Capital Projects Funds Revenues



Capital Projects Funds Expenditures



COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS

June 30, 1989 (With Comparative Totals for 1988) Exhibit E-1

(Expressed in Thousands)

	Capital Projects Fund	Capital Improvement Bond Fund of 1988	Totals June 30, 1989	Totals June 30, 1988
Assets				
Cash and Cash Equivalents	$ 179,267	$ 13,415	**$ 192,682**	$ 158,891
Receivables:				
Accounts Receivable	421	-	**421**	115
Intergovernmental Receivables	129	-	**129**	876
Investment Earnings	2	-	**2**	-
Interfund Receivables	106	-	**106**	106
Total Assets	$ 179,925	$ 13,415	**$ 193,340**	$ 159,988
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable and Accrued Liabilities:				
Accounts Payable	$ 7,047	$ 337	**$ 7,384**	$ 7,841
Intergovernmental Payables	22	-	**22**	39
Interfund Payables	1	27	**28**	2,187
Deposits Payable	1,828	327	**2,155**	2,680
Deferred Revenue	10	-	**10**	15
Total Liabilities	8,908	691	**9,599**	12,762
Fund Balances:				
Unreserved:				
Designated for Subsequent Years' Expenditures	171,017	12,724	**183,741**	147,226
Total Liabilities and Fund Balances	$ 179,925	$ 13,415	**$ 193,340**	$ 159,988

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS

For the Fiscal Year Ended June 30, 1989 (With Comparative Totals for 1988)

Exhibit E-2

(Expressed in Thousands)

	Capital Projects Fund	Capital Improvement Bond Fund of 1988	Totals June 30, 1989	Totals June 30, 1988
Revenues:				
Federal Funds	$ 3,672	$ -	$ 3,672	$ 7,980
Local Funds	303	-	303	302
Investment Earnings	25	-	25	21
Sales and Services	284	-	284	81
Sale, Rental and Lease of Property	63	-	63	83
Fees, Licenses, and Fines	29	-	29	-
Contributions, Gifts and Grants	123	-	123	83
Miscellaneous	1,082	2	1,084	251
Total Revenues	5,581	2	5,583	8,801
Expenditures:				
Capital Outlay	67,375	7,777	75,152	87,008
Intergovernmental	3,682	-	3,682	2,807
Total Expenditures	71,057	7,777	78,834	89,815
Excess Revenues Over (Under) Expenditures	(65,476)	(7,775)	(73,251)	(81,014)
Other Financing Sources (Uses):				
Operating Transfers In	144,113	-	144,113	74,016
Operating Transfers Out	(54,836)	-	(54,836)	(28,055)
Proceeds From Bond Sale	-	20,499	20,499	-
Total Other Financing Sources (Uses)	89,277	20,499	109,776	45,961
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	23,801	12,724	36,525	(35,053)
Fund Balances - July 1 - As Previously Reported	147,226	-	147,226	182,279
Restatements	(10)	-	(10)	-
Fund Balances - June 30	$ 171,017	$ 12,724	$ 183,741	$ 147,226

ENTERPRISE FUNDS

The Enterprise Funds are maintained to account for the operations of State Government and Public Benefit Authorities that provide goods or services to the general public in a manner similar to private business enterprises. The costs of providing these goods or services are financed through user charges.

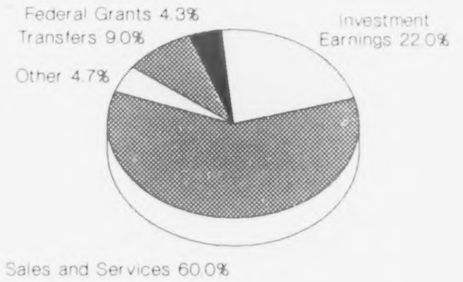
The following activities are included in the Enterprise Funds:

Governmental Enterprise Funds
- North Carolina Memorial Hospital
- North Carolina State Fair
- USS North Carolina Battleship Commission
- Other Enterprise Funds:
  - Cultural Resources Historic Site Sales
  - Agricultural Farmers' Market

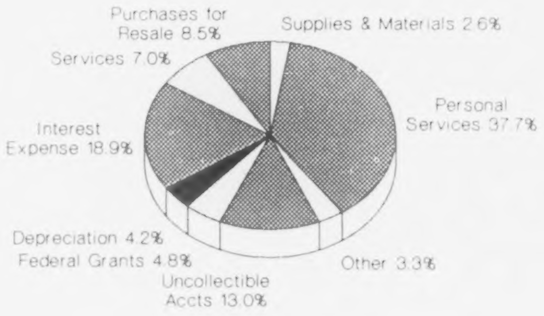
Public Benefit Authorities
- N.C. Housing Finance Agency
- State Ports Authority
- Ports Railway Commission
- N.C. Agricultural Finance Authority

The charts provide a breakdown of Enterprise Funds revenues and expenses for the year ended June 30, 1989, on the accrual basis of accounting. Under this basis, net loss before operating transfers and extraordinary losses for all Enterprise Funds was $22.9 million in 1989.

Enterprise Funds Revenues



Enterprise Funds Expenses



COMBINING BALANCE SHEET
ENTERPRISE FUNDS

June 30, 1989 (With Comparative Totals for 1988)

(Expressed in Thousands)

	Governmental Enterprise Funds				
Assets	N.C. Memorial Hospital	N.C. State Fair	USS N.C. Battleship Commission	Other Funds	Total Governmental Enterprise Funds
Current Assets:					
Cash and Cash Equivalents	$ 14,399	$ 1,040	$ 669	$ 254	$ 16,362
Investments	-	-	1	-	1
Receivables:					
Accounts Receivable	40,594	58	1	-	40,653
Intergovernmental Receivables	552	-	-	-	552
Investment Earnings	86	-	5	-	91
Interfund Receivables	-	10	-	-	10
Notes Receivable	-	-	-	-	-
Inventories	5,859	69	103	35	6,066
Prepaid Items	344	-	4	-	348
Total Current Assets	61,834	1,177	783	289	64,083
Non-Current Assets:					
Cash and Cash Equivalents	5,467	-	791	-	6,258
Investments	3,531	-	-	-	3,531
Accounts Receivable	1,143	-	-	-	1,143
Notes Receivable	-	-	-	-	-
Prepaid Items	-	-	32	-	32
Securities Held in Trust	-	-	-	-	-
Total Non-Current Assets	10,141	-	823	-	10,964
Fixed Assets:					
Land and Improvements	-	1,379	98	390	1,867
Buildings and Fixed Equipment	67,509	10,907	2,401	1,141	81,958
Other Structures and Improvements	1,914	1,143	-	-	3,057
Machinery and Equipment	82,465	486	-	120	83,071
Motor Vehicles and Motorized Equipment	-	199	-	60	259
Construction in Progress	4,931	-	380	-	5,311
Accumulated Depreciation	(70,378)	(4,964)	(879)	(740)	(76,961)
Total Fixed Assets	86,441	9,150	2,000	971	98,562
Total Assets	$ 158,416	$ 10,327	$ 3,606	$ 1,260	$ 173,609

Exhibit F-1
Page 1 of 2

Public Benefit Authorities					Totals	
N.C. Housing Finance Agency	State Ports Authority	Ports Railway Commission	N.C. Agricultural Finance Authority	Total Public Benefit Authorities	June 30, 1989	June 30, 1988
$ 47,302	$ 13,318	$ 69	$ 1,061	$ 61,750	**$ 78,112**	$ 60,413
-	8,018	750	-	8,768	**8,769**	9,663
1,290	4,325	19	-	5,634	**46,287**	45,348
-	-	-	-	-	**552**	902
5,498	-	-	-	5,498	**5,589**	2,675
-	-	-	-	-	**10**	10
-	-	-	31	31	**31**	-
-	703	-	-	703	**6,769**	7,006
-	61	1	-	62	**410**	347
54,090	26,425	839	1,092	82,446	**146,529**	126,364
-	-	-	-	-	**6,258**	8,928
166,081	-	-	-	166,081	**169,612**	160,270
-	-	-	-	-	**1,143**	1,183
753,097	9	-	-	753,106	**753,106**	664,371
17,926	128	-	-	18,054	**18,086**	3,870
-	-	240	-	240	**240**	240
937,104	137	240	-	937,481	**948,445**	838,862
-	21,299	-	-	21,299	**23,166**	22,576
-	30,925	472	-	31,397	**113,355**	108,691
-	35,377	-	-	35,377	**38,434**	37,674
-	30,409	-	-	30,409	**113,480**	106,667
-	-	-	-	-	**259**	219
-	23,164	-	-	23,164	**28,475**	12,334
-	(46,755)	(209)	-	(46,964)	**(123,925)**	(110,276)
-	94,419	263	-	94,682	**193,244**	177,885
$ 991,194	$ 120,981	$ 1,342	$ 1,092	$ 1,114,609	**$ 1,288,218**	$ 1,143,111

COMBINING BALANCE SHEET ENTERPRISE FUNDS (CONTINUED)

June 30, 1989 (With Comparative Totals for 1988)
(Expressed in Thousands)

Liabilities and Fund Equity	Governmental Enterprise Funds				
	N.C. Memorial Hospital	N.C. State Fair	USS N.C. Battleship Commission	Other Funds	Total Governmental Enterprise Funds
Liabilities:					
Current Liabilities:					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	$ 4,455	$ 34	$ 66	$ 14	$ 4,569
Accrued Payroll	6,520	19	1	2	6,542
Intergovernmental Payables	1,231	-	-	-	1,231
Interfund Payables	-	-	-	-	-
Notes Payable	-	-	-	-	-
Claims Payable	852	-	-	-	852
Capital Leases Payable	111	1	-	-	112
Bonds Payable (Net of Discount)	-	-	69	-	69
Interest Payable	-	-	4	-	4
Deposits Payable	4,336	-	-	-	4,336
Accrued Vacation Leave	5,551	80	19	23	5,673
Deferred Revenue	-	260	-	-	260
Total Current Liabilities	23,056	394	159	39	23,648
Long-Term Liabilities:					
Obligation for Workers Compensation	-	-	-	-	-
Notes Payable	-	-	-	-	-
Claims Payable	3,513	-	-	-	3,513
Capital Leases Payable	223	-	-	-	223
Bonds Payable (Net of Discount)	-	-	555	-	555
Deposits Payable	-	-	-	-	-
Total Long-Term Liabilities	3,736	-	555	-	4,291
Total Liabilities	26,792	394	714	39	27,939
Fund Equity:					
Contributed Capital	-	8,130	-	1,402	9,532
Retained Earnings	131,624	1,803	2,892	(181)	136,138
Total Fund Equity	131,624	9,933	2,892	1,221	145,670
Total Liabilities and Fund Equity	$ 158,416	$ 10,327	$ 3,606	$ 1,260	$ 173,609

Exhibit F-1
Page 2 of 2

Public Benefit Authorities					Totals	
N.C. Housing Finance Agency	State Ports Authority	Ports Railway Commission	N.C. Agricultural Finance Authority	Total Public Benefit Authorities	June 30, 1989	June 30, 1988
$ 1,542	$ 1,583	$ 1	$ 1	$ 3,127	$ 7,696	$ 8,101
-	-	-	-	-	6,542	5,908
-	-	-	-	-	1,231	-
-	-	-	-	-	-	683
-	93	60	-	153	153	274
-	-	-	-	-	852	-
-	-	-	-	-	112	5
18,495	545	-	-	19,040	19,109	17,714
37,127	-	-	-	37,127	37,131	25,336
-	-	-	-	-	4,336	4,844
78	810	5	11	904	6,577	6,161
4,642	-	-	-	4,642	4,902	994
61,884	3,031	66	12	64,993	88,641	70,020
-	49	-	-	49	49	61
-	436	-	-	436	436	589
-	-	-	-	-	3,513	5,534
-	-	-	-	-	223	1
843,879	7,575	-	-	851,454	852,009	752,102
-	-	240	-	240	240	240
843,879	8,060	240	-	852,179	856,470	758,527
905,763	11,091	306	12	917,172	945,111	828,547
11,000	95,890	50	-	106,940	116,472	99,810
74,431	14,000	986	1,080	90,497	226,635	214,754
85,431	109,890	1,036	1,080	197,437	343,107	314,564
$ 991,194	$ 120,981	$ 1,342	$ 1,092	$ 1,114,609	$ 1,288,218	$ 1,143,111

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 1989 (With Comparative Totals for 1988)

(Expressed in Thousands)

	Governmental Enterprise Funds				
	N.C. Memorial Hospital	N.C. State Fair	USS N.C. Battleship Commission	Other Funds	Total Governmental Enterprise Funds
Operating Revenues:					
Sales and Services	$ 209,978	$ 3,167	$ 1,598	$ 64	$ 214,807
Investment Earnings	715	-	94	-	809
Rental and Lease Earnings	157	1,869	9	400	2,435
Fees, Licenses and Fines	3	147	-	-	150
Contributions	-	-	-	-	-
Federal Grants	-	-	-	-	-
Miscellaneous	11,398	-	-	-	11,398
Allowances and Uncollectible Accounts	(49,744)	-	-	-	(49,744)
Total Operating Revenues	172,507	5,183	1,701	464	179,855
Operating Expenses:					
Personal Services	126,394	2,465	607	274	129,740
Supplies and Materials	8,015	185	41	22	8,263
Services	15,798	1,234	341	59	17,432
Interest	-	-	47	-	47
Purchases for Resale	32,364	-	330	54	32,748
Depreciation/Amortization	10,544	453	138	58	11,193
Federal Grants	-	-	-	-	-
Other	9,872	770	-	16	10,658
Total Operating Expenses	202,987	5,107	1,504	483	210,081
Operating Income (Loss)	(30,480)	76	197	(19)	(30,226)
Nonoperating Revenues (Expenses):					
Gain (Loss) on Sale of Equipment	-	1	(2)	-	(1)
Investment Earnings	-	-	-	-	-
Donations	529	-	-	-	529
Interest Expense	-	-	-	-	-
Miscellaneous	-	(1)	8	2	9
Total Nonoperating Revenues (Expenses)	529	-	6	2	537
Income (Loss) Before Operating Transfers	(29,951)	76	203	(17)	(29,689)
Operating Transfers:					
Transfers In	35,288	-	-	-	35,288
Transfers Out	(3)	(435)	-	(2)	(440)
Total Operating Transfers In (Out)	35,285	(435)	-	(2)	34,848
Net Income (Loss) Before Extraordinary Loss	5,334	(359)	203	(19)	5,159
Extraordinary Loss	-	-	-	-	-
Net Income (Loss)	5,334	(359)	203	(19)	5,159
Fund Equity - July 1 - As Previously Reported	126,290	9,127	2,689	1,240	139,346
Restatements	-	503	-	-	503
Increase in Contributed Capital	-	662	-	-	662
Fund Equity - June 30	$ 131,624	$ 9,933	$ 2,892	$ 1,221	$ 145,670

Exhibit F-2

Public Benefit Authorities					Totals	
N.C. Housing Finance Agency	State Ports Authority	Ports Railway Commission	N.C. Agricultural Finance Authority	Total Public Benefit Authorities	June 30, 1989	June 30, 1988
$ -	$ 22,248	$ -	$ -	$ 22,248	**$ 237,055**	$ 217,800
86,181	-	-	92	86,273	**87,082**	80,842
-	1,905	268	-	2,173	**4,608**	2,388
-	-	-	1	1	**151**	2,828
-	-	-	-	-	**-**	4
16,952	-	-	-	16,952	**16,952**	15,066
1,347	-	-	1	1,348	**12,746**	10,482
-	(70)	-	-	(70)	**(49,814)**	(38,666)
104,480	24,083	268	94	128,925	**308,780**	290,744
-	14,292	99	164	14,555	**144,295**	132,415
-	1,707	24	1	1,732	**9,995**	9,815
6,029	3,387	7	10	9,433	**26,865**	23,212
72,223	-	-	-	72,223	**72,270**	68,706
-	-	-	-	-	**32,748**	29,294
707	4,060	70	-	4,837	**16,030**	16,089
18,539	-	-	-	18,539	**18,539**	14,588
-	1,158	5	46	1,209	**11,867**	9,496
97,498	24,604	205	221	122,528	**332,609**	303,615
6,982	(521)	63	(127)	6,397	**(23,829)**	(12,871)
-	-	1	-	1	**-**	(54)
-	668	61	-	729	**729**	654
-	-	-	-	-	**529**	793
-	(366)	-	-	(366)	**(366)**	(397)
-	-	17	-	17	**26**	(983)
-	302	79	-	381	**918**	13
6,982	(219)	142	(127)	6,778	**(22,911)**	(12,858)
-	-	-	170	170	**35,458**	47,587
-	-	-	-	-	**(440)**	(563)
-	-	-	170	170	**35,018**	47,024
6,982	(219)	142	43	6,948	**12,107**	34,166
(729)	-	-	-	(729)	**(729)**	(1,409)
6,253	(219)	142	43	6,219	**11,378**	32,757
79,178	94,109	894	1,037	175,218	**314,564**	261,907
-	-	-	-	-	**503**	-
-	16,000	-	-	16,000	**16,662**	19,900
$ 85,431	$ 109,890	$ 1,036	$ 1,080	$ 197,437	**$ 343,107**	$ 314,564

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 1989 (With Comparative Totals for 1988)

(Expressed in Thousands)

	Governmental Enterprise Funds				
	N.C. Memorial Hospital	N.C. State Fair	USS N.C. Battleship Commission	Other Funds	Total Governmental Enterprise Funds
Sources of Working Capital:					
Operations:					
Net Income (Loss) Before Extraordinary Item	$ 5,334	$ (359)	$ 203	$ (19)	$ 5,159
Items Not Requiring (Providing) Working Capital:					
Depreciation/Amortization	10,544	453	138	58	11,193
(Gain) Loss on Sale or Transfer of Fixed Assets	175	(1)	2	-	176
Working Capital Provided by Operations Before Extraordinary Item	16,053	93	343	39	16,528
Extraordinary Item	-	-	-	-	-
Working Capital Provided by Operations	16,053	93	343	39	16,528
Proceeds from Sale of Bonds, Net of Issuance Cost	-	-	-	-	-
Proceeds from Sale of Investments	174	-	-	-	174
Other Sources:					
Repayments on Mortgage Loans	-	-	-	-	-
Proceeds from Sale of Fixed Assets	105	1	-	-	106
Miscellaneous	-	503	16	-	519
Capital Improvement Appropriation	-	-	-	-	-
Reduction in Non-Current Assets	165	-	-	-	165
Total Sources of Working Capital	16,497	597	359	39	17,492
Uses of Working Capital:					
Acquisition of Fixed Assets	13,654	106	387	31	14,178
Purchase of Investments	1,076	-	-	-	1,076
Purchase of Mortgage Loans Receivable	-	-	-	-	-
Other Uses:					
Retirement of Lease Obligation	-	1	-	-	1
Reclassification/Retirement of Long-Term Debt	-	-	69	-	69
Deferred Charges - Maintenance Dredging	-	-	-	-	-
Increase in Non-Current Assets	-	-	85		85
Reduction in Non-Current Liabilities	1,798	-	-		1,798
Other Uses	-	-	-	-	-
Total Uses of Working Capital	16,528	107	541	31	17,207
Net Increase (Decrease) in Working Capital	$ (31)	$ 490	$ (182)	$ 8	$ 285
Elements of Net Increase (Decrease) In Working Capital:					
Cash and Cash Equivalents	$ 2,859	$ (239)	$ (164)	$ 24	$ 2,480
Investments	-	-	-	-	-
Receivables:					
Accounts Receivable	(315)	30	(3)	(4)	(292)
Intergovernmental Receivables	(350)	-	-	-	(350)
Investment Earnings	84	-	1	-	85
Interfund Receivables	-	-	-	-	-
Notes Receivable	-	-	-	-	-
Inventories	(257)	-	8	(3)	(252)
Prepaid Items	78	-	4	-	82
Payables:					
Accounts Payable	576	21	(40)	(5)	552
Accrued Payroll	(673)	1	37	1	(634)
Intergovernmental Payables	(1,231)	-	-	-	(1,231)
Interfund Payables	-	683	-	-	683
Notes Payable	-	-	-	-	-
Claims Payable	(852)	-	-	-	(852)
Capital Leases Payable	(111)	4	-	-	(107)
Bonds Payable	-	-	(5)	-	(5)
Interest Payable	-	-	(1)	-	(1)
Deposits Payable	508	-	-	-	508
Accrued Vacation Leave	(347)	(1)	(19)	(5)	(372)
Deferred Revenue	-	(9)	-	-	(9)
Net Increase (Decrease) in Working Capital	$ (31)	$ 490	$ (182)	$ 8	$ 285

Exhibit F-3

Public Benefit Authorities					Totals	
N.C. Housing Finance Agency	State Ports Authority	Ports Railway Commission	N.C. Agricultural Finance Authority	Total Public Benefit Authorities	June 30, 1989	June 30, 1988
$ 6,982	$ (219)	$ 142	$ 43	$ 6,948	$ 12,107	$ 34,166
707	4,060	70	-	4,837	16,030	16,089
-	-	(1)	-	(1)	175	54
7,689	3,841	211	43	11,784	28,312	50,309
(729)	-	-	-	(729)	(729)	(1,409)
6,960	3,841	211	43	11,055	27,583	48,900
140,620	-	-	-	140,620	140,620	77,339
18,489	-	-	-	18,489	18,663	85,460
43,224	-	-	-	43,224	43,224	40,573
-	7	4	-	11	117	17
-	11	-	-	11	530	42
-	16,000	-	-	16,000	16,000	19,900
-	-	-	-	-	165	2
209,293	19,859	215	43	229,410	246,902	272,233
-	15,904	14	-	15,918	30,096	24,561
24,300	-	-	-	24,300	25,376	24,048
131,371	-	-	-	131,371	131,371	123,041
-	-	-	-	-	1	5
55,662	650	60	-	56,372	56,441	62,908
-	190	-	-	190	190	124
-	-	-	-	-	85	534
-	-	-	-	-	1,798	-
-	-	-	-	-	-	1,467
211,333	16,744	74	-	228,151	245,358	236,688
$ (2,040)	$ 3,115	$ 141	$ 43	$ 1,259	$ 1,544	$ 35,545
$ 11,275	$ 3,936	$ (6)	$ 14	$ 15,219	$ 17,699	$ 37,510
-	(1,044)	150	-	(894)	(894)	(237)
1,015	206	10	-	1,231	939	12,457
-	-	-	-	-	(350)	(2,163)
2,829	-	-	-	2,829	2,914	(123)
-	-	-	-	-	-	(1)
-	-	-	31	31	31	-
-	15	-	-	15	(237)	1,188
-	(18)	(1)	-	(19)	63	(191)
(18)	(128)	(1)	-	(147)	405	157
-	-	-	-	-	(634)	(1,155)
-	-	-	-	-	(1,231)	239
-	-	-	-	-	683	90
-	131	(10)	-	121	121	(11)
-	-	-	-	-	(852)	-
-	-	-	-	-	(107)	7
(1,370)	(20)	-	-	(1,390)	(1,395)	(2,150)
(11,794)	-	-	-	(11,794)	(11,795)	(6,371)
-	-	-	-	-	508	(4,773)
(78)	37	(1)	(2)	(44)	(416)	(740)
(3,899)	-	-	-	(3,899)	(3,908)	1,812
$ (2,040)	$ 3,115	$ 141	$ 43	$ 1,259	$ 1,544	$ 35,545

DUKE UNIVERSITY

Duke University was created in 1924 by James B. Duke as a memorial to his father, Washington Duke. The Duke family, which built a world-wide financial empire based upon tobacco products, long had been interested in Trinity College, a Methodist institution founded in 1859 but which traced its roots to a one-room schoolhouse built in 1838. Trinity College had moved from rural Randolph County to Durham in 1892 with aid from Washington Duke. In December 1924 the college's trustees gratefully accepted the provision of the indenture creating James B. Duke's philanthropic organization, The Duke Endowment, and Trinity College was reorganized to become Duke University.

The first B.D. degree was awarded in 1927, the first Ph.D. in 1929 and the first M.D. in 1932. The School of Law was founded in 1904.

Modern times have seen Duke realize its aspirations to become a major center of learning. The medical center has achieved international prominence, and Duke's programs in arts and sciences, engineering, law, medicine, religion, forestry and environmental studies, and business are consistently ranked among the nation's best. The University frequently wins attention for its research achievements and academic innovations, and its faculty often is called upon to provide leaders for national and international academic and professional organizations.

Duke University is the state's largest private school and attracts a diverse student body from throughout the nation and the world. Current enrollment for 1989-90 exceeds 10,000, which includes more than 6,000 undergraduates and 4,000 graduates and professionals. During 1989-90 Duke conferred over 1,400 undergraduate degrees and 900 graduate and professional degrees.

The centerpiece of Duke's Gothic campus is Duke Chapel. The Chapel holds a 210-foot tower housing a 50-bell carillon. Located in the arch at the rear of the nave is the baroque-style Memorial Organ containing 5,000 pipes. The 77 stained-glass windows depict approximately 800 figures.

The Duke Gardens

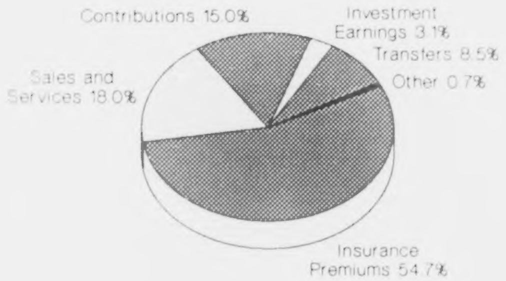
INTERNAL SERVICE FUNDS

The Internal Service Funds are maintained to account for the operations of State agencies that provide services to other State agencies, departments or other governmental units on a cost reimbursement basis.

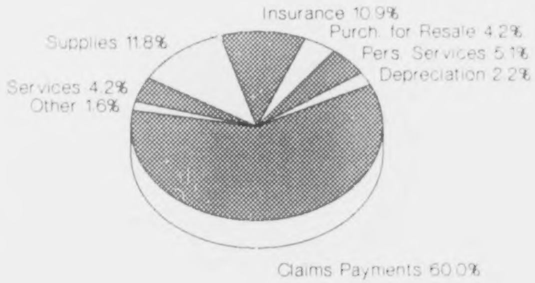
The following activities are included in the Internal Service Funds:

- Prison Enterprises
- Central Governmental Services:
  - Telephone service
  - Computer center
  - Computer systems development
  - Courier service
  - Office automation
  - Temporary services
- Motor Fleet Management
- Educational Materials and School Buses, which include:
  - Textbooks
  - School buses
  - TV materials
- State Health Plan
- N.C. Teachers' and State Employees' Benefit Trust
- Disability Income Plan of N.C.
- Public School Insurance Fund
- State Property Fire Insurance Fund
- Other Service Funds:
  - John Umstead Hospital laundry and other service activities
  - Cherry Hospital laundry
  - Cultural Resources Processing Center
  - Clerk of Courts Mimeographing
  - Administration Federal Surplus Property

The charts provide a breakdown of Internal Service Funds revenues and expenses for the year ended June 30, 1989, on the accrual basis of accounting. Under this basis, net income before operating transfers for all Internal Service Funds was $28.8 million in 1989.



Internal Service Funds Revenues



Internal Service Funds Expenses

COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS

June 30, 1989 (With Comparative Totals for 1988)

(Expressed in Thousands)

Assets	Prison Enterprises	Central Governmental Services	Motor Fleet Management	Educational Materials and School Buses	State Health Plan
Current Assets:					
Cash and Cash Equivalents	$ 2,162	$ 6,986	$ 3,270	$ 12,594	$ 83,246
Investments	-	-	-	-	-
Receivables:					
Accounts Receivable	2,971	10,107	2,158	87	609
Intergovernmental Receivables	575	-	-	5,880	-
Investment Earnings	-	-	-	-	705
Premiums	-	-	-	-	61
Contributions	-	-	-	-	-
Interfund Receivables	191	101	-	22	-
Inventories	10,796	285	107	6,283	-
Prepaid Items	-	13	-	-	-
Total Current Assets	16,695	17,492	5,535	24,866	84,621
Non-Current Assets:					
Accounts Receivable	-	1	-	-	-
Prepaid Items	-	8	-	-	-
Total Non-Current Assets	-	9	-	-	-
Fixed Assets:					
Land and Improvements	-	2,741	405	-	-
Buildings and Fixed Equipment	6,627	5,125	620	-	-
Other Structures and Improvements	-	2,023	4	-	-
Machinery and Equipment	11,418	31,827	188	-	125
Motor Vehicles and Motorized Equipment	-	11	51,973	-	-
Construction in Progress	110	-	-	-	-
Accumulated Depreciation	(10,264)	(15,708)	(14,723)	-	(32)
Total Fixed Assets	7,891	26,019	38,467	-	93
Total Assets	$ 24,586	$ 43,520	$ 44,002	$ 24,866	$ 84,714

Exhibit G-1
Page 1 of 2

N.C. Teachers' and State Employees' Benefit Trust	Disability Income Plan of N.C.	Public School Insurance	State Property Fire Insurance	Other Funds	Totals	
					June 30, 1989	June 30, 1988
$ 7,367	$ 1,540	$ 34,080	$ 11,178	$ 1,621	**$ 164,044**	$ 136,799
70,729	34,956	-	-	-	**105,685**	60,989
2	259	241	263	550	**17,247**	13,365
-	-	-	-	-	**6,455**	7,379
35	17	247	82	1	**1,087**	830
-	-	-	-	-	**61**	61
6,178	2,354	-	-	-	**8,532**	8,000
-	-	-	-	-	**314**	2,452
-	-	-	-	237	**17,708**	18,074
-	-	301	-	-	**314**	301
84,311	39,126	34,869	11,523	2,409	**321,447**	248,250
-	-	-	-	-	**1**	1
-	-	-	-	-	**8**	8
-	-	-	-	-	**9**	9
-	-	-	-	38	**3,184**	3,185
-	-	-	-	5,722	**18,094**	17,983
-	-	-	-	1,453	**3,480**	3,479
-	-	-	-	3,207	**46,765**	40,734
-	-	-	-	499	**52,483**	46,129
-	-	-	-	7,037	**7,147**	5,612
-	-	-	-	(5,571)	**(46,298)**	(38,768)
-	-	-	-	12,385	**84,855**	78,354
$ 84,311	$ 39,126	$ 34,869	$ 11,523	$ 14,794	**$ 406,311**	$ 326,613

COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS (CONTINUED)

June 30, 1989 (With Comparative Totals for 1988)
(Expressed in Thousands)

Liabilities and Fund Equity	Prison Enterprises	Central Governmental Services	Motor Fleet Management	Educational Materials and School Buses	State Health Plan
Liabilities:					
Current Liabilities:					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	$ 911	$ 1,405	$ 888	$ 10,475	$ 593
Accrued Payroll	43	60	-	-	-
Intergovernmental Payables	-	-	-	2,099	-
Interfund Payables	110	-	-	3	-
Notes Payable	-	-	-	-	-
Claims and Benefits Payable	-	-	-	-	68,315
Capital Leases Payable	-	3,271	-	-	-
Bonds Payable (Due Within One Year)	-	-	-	-	-
Interest Payable	-	-	-	-	-
Deposits Payable	-	-	-	-	-
Accrued Vacation Leave	555	550	70	-	25
Deferred Revenue	-	3	-	-	869
Total Current Liabilities	1,619	5,289	958	12,577	69,802
Long-Term Liabilities:					
Capital Leases Payable	-	1,032	-	-	-
Bonds Payable	-	-	-	-	-
Total Long-Term Liabilities	-	1,032	-	-	-
Total Liabilities	1,619	6,321	958	12,577	69,802
Fund Equity:					
Contributed Capital	2,869	7,458	21,199	-	-
Retained Earnings	20,098	29,741	21,845	12,289	14,912
Total Fund Equity	22,967	37,199	43,044	12,289	14,912
Total Liabilities and Fund Equity	$ 24,586	$ 43,520	$ 44,002	$ 24,866	$ 84,714

Exhibit G-1
Page 2 of 2

N.C. Teachers' and State Employees' Benefit Trust	Disability Income Plan of N.C.	Public School Insurance	State Property Fire Insurance	Other Funds	Totals	
					June 30, 1989	June 30, 1988
$ -	$ -	$ 3	$ -	$ 195	**$ 14,470**	$ 18,962
-	-	-	-	3	**106**	85
-	-	-	-	-	**2,099**	1,029
158	-	-	7	-	**278**	905
-	-	-	-	-	**-**	18
1,822	63	1,086	404	-	**71,690**	68,174
-	-	-	-	-	**3,271**	5,000
-	-	-	-	-	**-**	65
-	-	-	-	-	**-**	50
-	-	-	-	23	**23**	19
-	-	27	-	195	**1,422**	646
-	-	1,401	747	65	**3,085**	1,896
1,980	63	2,517	1,158	481	**96,444**	96,849
-	-	-	-	-	**1,032**	4,389
-	-	-	-	-	**-**	1,350
-	-	-	-	-	**1,032**	5,739
1,980	63	2,517	1,158	481	**97,476**	102,588
-	-	-	-	13,176	**44,702**	42,558
82,331	39,063	32,352	10,365	1,137	**264,133**	181,467
82,331	39,063	32,352	10,365	14,313	**308,835**	224,025
$ 84,311	$ 39,126	$ 34,869	$ 11,523	$ 14,794	**$ 406,311**	$ 326,613

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 1989 (With Comparative Totals for 1988)

(Expressed in Thousands)

	Prison Enterprises	Central Governmental Services	Motor Fleet Management	Educational Materials and School Buses	State Health Plan
Operating Revenues:					
Sales and Services	$ 38,543	$ 48,369	$ 17,366	$ 4,031	$ 6,119
Rental and Lease Earnings	-	841	-	-	-
Fees, Licenses and Fines	-	-	285	781	-
Insurance Premiums	-	-	-	-	359,022
Contributions	-	-	-	-	-
Investment Earnings	-	-	-	-	7,454
Miscellaneous	-	-	-	896	53
Total Operating Revenues	38,543	49,210	17,651	5,708	372,648
Operating Expenses:					
Personal Services	7,261	10,213	1,328	6	7,424
Supplies and Materials	1,327	181	5,549	61,693	23
Services	1,468	22,055	297	122	146
Depreciation	1,111	5,067	6,178	-	14
Purchases for Resale	23,440	899	-	-	-
Claims and Benefits	-	-	-	-	333,121
Insurance and Bonding	-	-	689	-	-
Other	1,567	3,342	8	-	26
Total Operating Expenses	36,174	41,757	14,049	61,821	340,754
Operating Income (Loss)	2,369	7,453	3,602	(56,113)	31,894
Nonoperating Revenues (Expenses):					
Gain (Loss) on Sale of Property and Equipment	30	(26)	(540)	-	(1)
Insurance Recoveries	-	-	159	-	-
Interest Revenues (Expenses)	-	(65)	-	-	-
Miscellaneous	-	92	8	-	-
Total Nonoperating Revenues (Expenses)	30	1	(373)	-	(1)
Income (Loss) Before Operating Transfers	2,399	7,454	3,229	(56,113)	31,893
Operating Transfers:					
Operating Transfers In	-	96	1	57,166	-
Operating Transfers Out	(940)	(1)	-	-	-
Total Operating Transfers In (Out)	(940)	95	1	57,166	-
Net Income (Loss) Before Extraordinary Loss	1,459	7,549	3,230	1,053	31,893
Extraordinary Loss	-	(12)	-	-	-
Net Income (Loss)	1,459	7,537	3,230	1,053	31,893
Fund Equity - July 1 - As Previously Reported	21,508	29,658	39,813	11,236	(16,981)
Residual Equity Transfers:					
Transfers Out	-	-	-	-	-
Increase in Contributed Capital	-	4	1	-	-
Fund Equity - June 30	$ 22,967	$ 37,199	$ 43,044	$ 12,289	$ 14,912

Exhibit G-2

N.C. Teachers' and State Employees' Benefit Trust	Disability Income Plan of N.C.	Public School Insurance	State Property Fire Insurance	Other Funds	Totals	
					June 30, 1989	June 30, 1988
$ -	$ -	$ -	$ -	$ 6,439	**$ 120,867**	$ 108,260
-	-	-	-	57	**898**	902
1,011	-	-	-	78	**2,155**	1,774
-	-	2,875	5,337	-	**367,234**	294,069
74,461	26,560	-	-	-	**101,021**	75,572
6,799	2,307	2,903	1,138	2	**20,603**	14,771
-	-	393	3	5	**1,350**	881
82,271	28,867	6,171	6,478	6,581	**614,128**	496,229
-	-	437	-	3,583	**30,252**	28,149
-	-	4	-	990	**69,767**	69,184
-	-	56	-	845	**24,989**	22,245
-	-	-	-	652	**13,022**	11,968
-	-	-	-	341	**24,680**	20,855
11,645	3,405	2,843	1,621	-	**352,635**	289,207
58,506	-	1,665	3,563	-	**64,423**	54,033
130	195	30	-	100	**5,398**	4,516
70,281	3,600	5,035	5,184	6,511	**585,166**	500,157
11,990	25,267	1,136	1,294	70	**28,962**	(3,928)
-	-	-	-	5	**(532)**	(240)
-	-	-	-	-	**159**	193
-	-	-	-	(8)	**(73)**	(99)
-	-	-	-	157	**257**	122
-	-	-	-	154	**(189)**	(24)
11,990	25,267	1,136	1,294	224	**28,773**	(3,952)
-	-	-	-	-	**57,263**	55,667
(60)	-	-	(2,346)	-	**(3,347)**	(2,741)
(60)	-	-	(2,346)	-	**53,916**	52,926
11,930	25,267	1,136	(1,052)	224	**82,689**	48,974
-	-	-	-	-	**(12)**	-
11,930	25,267	1,136	(1,052)	224	**82,677**	48,974
70,401	13,796	31,216	11,417	11,961	**224,025**	169,127
-	-	-	-	(11)	**(11)**	-
-	-	-	-	2,139	**2,144**	5,924
$ 82,331	$ 39,063	$ 32,352	$ 10,365	$ 14,313	**$ 308,835**	$ 224,025

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 1989 (With Comparative Totals for 1988)

(Expressed in Thousands)

	Prison Enterprises	Central Governmental Services	Motor Fleet Management	Educational Materials and School Buses
Sources of Working Capital:				
Operations:				
Net Income (Loss) Before Extraordinary Item	$ 1,459	$ 7,549	$ 3,230	$ 1,053
Items Not Requiring (Providing) Working Capital:				
Depreciation	1,111	5,067	6,178	-
(Gain) Loss on Sale of Fixed Assets	(30)	26	540	-
Working Capital Provided by Operations Before Extraordinary Item	2,540	12,642	9,948	1,053
Extraordinary Item	-	(12)	-	-
Working Capital Provided by Operations	2,540	12,630	9,948	1,053
Other Sources:				
Proceeds from Sale of Fixed Assets	73	3	2,192	-
Proceeds from Issuance of Capital Leases	-	-	-	-
Contributed Capital	-	4	1	-
Other	-	-	-	-
Total Sources of Working Capital	2,613	12,637	12,141	1,053
Uses of Working Capital:				
Acquisition of Fixed Assets	791	4,997	14,071	-
Other Uses:				
Retirement of Revenue Bonds	-	1,350	-	-
Reclassification on Retirement of Long-Term Debt	-	3,358	-	-
Other	-	-	-	-
Total Uses of Working Capital	791	9,705	14,071	-
Net Increase (Decrease) in Working Capital	$ 1,822	$ 2,932	$ (1,930)	$ 1,053
Elements of Net Increase (Decrease) In Working Capital:				
Cash and Cash Equivalents	$ 65	$ 135	$ (2,320)	$ 729
Investments	-	(383)	-	-
Receivables:				
Accounts Receivable	304	3,783	230	57
Intergovernmental Receivables	158	-	-	(1,082)
Investment Earnings	-	-	-	-
Premiums	-	-	-	-
Contributions	-	-	-	-
Interfund Receivables	(99)	(2,049)	-	10
Inventories	1,805	18	28	(2,280)
Prepaid Items	(29)	2	-	-
Payables:				
Accounts Payable	194	(399)	131	4,690
Accrued Payroll	(19)	(12)	5	1
Intergovernmental Payables	-	-	-	(1,070)
Interfund Payables	(2)	-	-	(2)
Notes Payable	-	-	-	-
Claims and Benefits Payable	-	-	-	-
Capital Leases Payable	-	1,729	-	-
Bonds Payable	-	65	-	-
Interest Payable	-	50	-	-
Deposits Payable	-	-	-	-
Accrued Vacation Payable	(555)	(7)	(4)	-
Deferred Revenue	-	-	-	-
Net Increase (Decrease) in Working Capital	$ 1,822	$ 2,932	$ (1,930)	$ 1,053

Exhibit G-3

State Health Plan	N.C. Teachers' and State Employees' Benefit Trust	Disability Income Plan of N.C.	Public School Insurance	State Property Fire Insurance	Other Funds	Totals June 30, 1989	Totals June 30, 1988
$ 31,893	$ 11,930	$ 25,267	$ 1,136	$ (1,052)	$ 224	**$ 82,689**	$ 48,974
14	-	-	-	-	652	**13,022**	11,968
1	-	-	-	-	(5)	**532**	240
31,908	11,930	25,267	1,136	(1,052)	871	**96,243**	61,182
-	-	-	-	-	-	**(12)**	-
31,908	11,930	25,267	1,136	(1,052)	871	**96,231**	61,182
-	-	-	-	-	15	**2,283**	1,852
-	-	-	-	-	-	**-**	3,591
-	-	-	-	-	2,139	**2,144**	5,924
-	-	-	-	-	-	**-**	350
31,908	11,930	25,267	1,136	(1,052)	3,025	**100,658**	72,899
87	-	-	-	-	2,391	**22,337**	24,635
-	-	-	-	-	-	**1,350**	65
-	-	-	-	-	-	**3,358**	5,726
-	-	-	-	-	11	**11**	46
87	-	-	-	-	2,402	**27,056**	30,472
$ 31,821	$ 11,930	$ 25,267	$ 1,136	$ (1,052)	$ 623	**$ 73,602**	$ 42,427
$ 34,924	$ 759	$ (8,921)	$ 1,896	$ (610)	$ 588	**$ 27,245**	$ 52,172
-	10,929	34,150	-	-	-	**44,696**	4,567
(888)	(5)	(21)	175	176	71	**3,882**	4,221
-	-	-	-	-	-	**(924)**	2,018
283	(5)	(52)	27	3	1	**257**	317
-	-	-	-	-	-	**-**	42
-	388	144	-	-	-	**532**	3,313
-	-	-	-	-	-	**(2,138)**	2,268
-	-	-	-	-	63	**(366)**	4,545
-	-	-	40	-	-	**13**	21
(101)	-	-	(1)	-	(22)	**4,492**	(8,796)
-	-	-	-	-	4	**(21)**	19
-	-	-	-	-	-	**(1,070)**	(689)
-	548	-	-	(1)	84	**627**	212
-	-	-	-	-	18	**18**	(5)
(1,990)	(684)	(33)	(490)	(319)	-	**(3,516)**	(19,214)
-	-	-	-	-	-	**1,729**	(1,096)
-	-	-	-	-	-	**65**	(5)
-	-	-	-	-	-	**50**	2
-	-	-	-	-	(4)	**(4)**	(4)
(25)	-	-	(27)	-	(158)	**(776)**	(646)
(382)	-	-	(484)	(301)	(22)	**(1,189)**	(835)
$ 31,821	$ 11,930	$ 25,267	$ 1,136	$ (1,052)	$ 623	**$ 73,602**	$ 42,427

NORTH CAROLINA SCHOOL OF SCIENCE AND MATHEMATICS

The North Carolina School of Science and Mathematics in Durham is the nation's first residential public high school for eleventh and twelfth grade students gifted in science and mathematics. The school was established by the N.C. General Assembly in 1978 to help meet the State's and the nation's growing requirement for scientific and technological leadership. An additional purpose of the school is to provide research into the teaching of science and mathematics. Some 475 students from 90 North Carolina counties attend the school, where they encounter an exceptional faculty in the humanities as well as in science and mathematics. The students study and work in state-of-the-art laboratories and computer facilities, and they live in modern dormitories. The school graduates more National Merit Scholarship finalists than any other high school in the nation.

Four students from the school were national winners in the 1989 SuperQuest competition sponsored by Cornell University Supercomputing Facility. Their projects involved such complex topics as galactic collisions, neural networks, cartograms and island ecology. The students won $50,000 of IBM computer equipment for the school and access to the Cornell supercomputing network during the current year.

NCSSM Director John Friedrick with the School's 1989 Glaxo Research Fellows

TRUST AND AGENCY FUNDS

The Trust and Agency Funds are maintained to account for assets held by the State in the capacity of a trustee or agency. These funds include Expendable Trusts, Nonexpendable Trusts, Pension Trusts and Agency Funds.

The following activities are included in the Trust and Agency Funds:

Expendable Trusts. Various trust funds administered by the State, including significant funds for unemployment compensation, the state escheats fund, the 401-k Supplemental Retirement Income Fund, the Board of Elections Campaign Checkoff Fund and numerous departmental trusts. These funds are accounted for on the modified accrual basis of accounting.

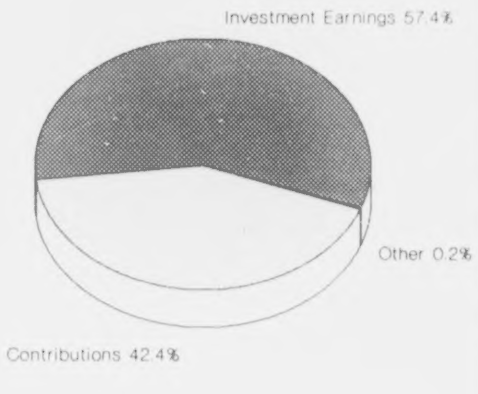
Nonexpendable Trusts. Eight trust funds administered by the State primarily related to loan programs, wildlife endowment program and the clean water program. These funds are accounted for on the accrual basis of accounting.

Pension Trusts. Six trust funds reflecting the activities of the retirement systems administered by the State. Employees participate in the respective retirement system to which their agency contributes. These funds are accounted for on the accrual basis of accounting.

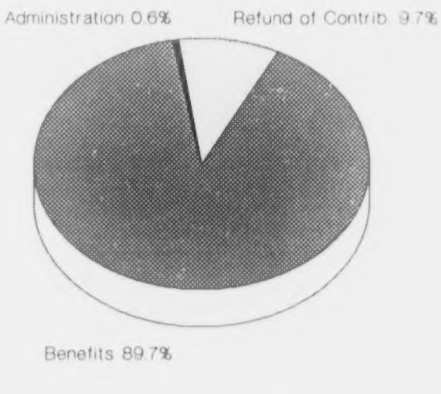
Agency Funds. Numerous departmental funds and Employee Deferred Compensation Plan for which the State acts solely in a custodial capacity. Assets equal liabilities.

The charts provide a breakdown of Pension Trust Funds revenues and expenses for the year ended June 30, 1989, on the accrual basis of accounting.

Pension Trust Fund Revenues



Pension Trust Fund Expenses



COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS

June 30, 1989 (With Comparative Totals for 1988)
(Expressed in Thousands)

	Expendable Trust Funds	Nonexpendable Trust Funds	Pension Trust Funds
Assets			
Cash and Cash Equivalents	$ 1,538,955	$ 51,778	$ 55,335
Investments	230,537	48,703	14,789,297
Receivables:			
Accounts Receivable	10,050	-	357
Intergovernmental Receivables	1,376	2,511	-
Investment Earnings	1,019	1,898	618
Contributions	-	-	83,892
Interfund Receivables	903	5,481	-
Notes Receivable	10,359	75,137	-
Inventories	780	-	-
Securities Held in Trust	135	-	-
Total Assets	$ 1,794,114	$ 185,508	$ 14,929,499
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable and Accrued Liabilities:			
Accounts Payable	$ 685	$ -	$ 1
Accrued Payroll	14	-	-
Intergovernmental Payables	220	1	-
Due to Plan Participants	-	-	-
Interfund Payables	5,159	-	2
Claims and Benefits Payable	1,454	-	108
Deposits Payable	150	-	-
Deferred Revenue	6,775	-	-
Total Liabilities	14,457	1	111
Fund Balances:			
Reserved	1,779,640	185,507	14,929,388
Unreserved:			
Undesignated	17	-	-
Total Fund Balances	1,779,657	185,507	14,929,388
Total Liabilities and Fund Balances	$ 1,794,114	$ 185,508	$ 14,929,499

Exhibit H-1

Agency			Totals	
Departmental	Deferred Compensation Plan	Total Agency	June 30, 1989	June 30, 1988
$ 257,371	$ 313	$ 257,684	$ 1,903,752	$ 1,811,497
-	150,343	150,343	15,218,880	13,527,024
1,037	-	1,037	11,444	11,354
1,794	-	1,794	5,681	4,991
437	-	437	3,972	3,662
-	1,745	1,745	85,637	78,684
7,921	-	7,921	14,305	13,701
100	-	100	85,596	85,757
-	-	-	780	718
250,517	-	250,517	250,652	230,628
$ 519,177	$ 152,401	$ 671,578	$ 17,580,699	$ 15,768,016
$ 1,148	$ -	$ 1,148	$ 1,834	$ 2,715
-	-	-	14	8
100,857	-	100,857	101,078	205,183
-	152,401	152,401	152,401	128,240
28,306	-	28,306	33,467	32,385
6,469	-	6,469	8,031	7,926
382,397	-	382,397	382,547	369,353
-	-	-	6,775	4,624
519,177	152,401	671,578	686,147	750,434
-	-	-	16,894,535	15,017,582
-	-	-	17	-
-	-	-	16,894,552	15,017,582
$ 519,177	$ 152,401	$ 671,578	$ 17,580,699	$ 15,768,016

COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS

June 30, 1989 (With Comparative Totals for 1988)
(Expressed in Thousands)

	Employment Security Commission	Escheats	401-K Supplemental Retirement Income Plan	Board of Elections
Assets				
Cash and Cash Equivalents	$ 1,498,506	$ 6,346	$ 65	$ 4
Investments	-	54,835	174,827	-
Receivables:				
Accounts Receivable	9,810	-	-	13
Intergovernmental Receivables	1,376	-	-	-
Investment Earnings	684	42	-	-
Interfund Receivables	398	-	158	-
Notes Receivable	-	-	6,906	-
Inventories	-	-	-	-
Securities Held in Trust	-	-	-	-
Total Assets	$ 1,510,774	$ 61,223	$ 181,956	$ 17
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable and Accrued Liabilities:				
Accounts Payable	$ 388	$ 178	$ -	$ -
Accrued Payroll	-	-	-	-
Intergovernmental Payables	-	-	-	-
Interfund Payables	-	4,651	-	-
Claims and Benefits Payable	502	-	-	-
Deposits Payable	-	-	-	-
Deferred Revenue	6,674	-	-	-
Total Liabilities	7,564	4,829	-	-
Fund Balances:				
Reserved	1,503,210	56,394	181,956	-
Unreserved:				
Undesignated	-	-	-	17
Total Fund Balances	1,503,210	56,394	181,956	17
Total Liabilities and Fund Balances	$ 1,510,774	$ 61,223	$ 181,956	$ 17

Exhibit H-2

Departmental	Totals	
	June 30, 1989	June 30, 1988
$ 34,034	$ 1,538,955	$ 1,384,216
875	230,537	171,166
227	10,050	10,307
-	1,376	1,062
293	1,019	323
347	903	1,456
3,453	10,359	10,163
780	780	718
135	135	-
$ 40,144	$ 1,794,114	$ 1,579,411
$ 119	$ 685	$ 815
14	14	7
220	220	104
508	5,159	4,590
952	1,454	611
150	150	-
101	6,775	4,624
2,064	14,457	10,751
38,080	1,779,640	1,568,660
-	17	-
38,080	1,779,657	1,568,660
$ 40,144	$ 1,794,114	$ 1,579,411

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES EXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1989 (With Comparative Totals for 1988)

(Expressed in Thousands)

	Employment Security Commission	Escheats	401-K Supplemental Retirement Income Plan	Board of Elections
Revenues:				
Taxes	$ 231,616	$ -	$ -	$ -
Federal Funds	6,557	-	-	-
Local Funds	-	-	-	-
Investment Earnings	120,797	5,222	9,505	-
Sales and Services	-	-	-	-
Sale, Rental and Lease of Property	-	-	-	-
Fees, Licenses and Fines	-	-	3,094	-
Contributions	-	-	46,017	17
Miscellaneous	688	1	134	-
Total Revenues	359,658	5,223	58,750	17
Expenditures:				
Current:				
General Government	-	681	1,324	-
Public Safety and Regulation	-	-	-	-
Corrections	-	-	-	-
Education	-	-	-	-
Health, Welfare and Rehabilitation	-	-	-	-
Resource Development and Preservation	-	-	-	-
Agriculture	-	-	-	-
Claims and Benefits	209,904	-	6,878	-
Total Expenditures	209,904	681	8,202	-
Excess Revenues Over Expenditures	149,754	4,542	50,548	17
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	(2,143)	(4,650)	-	-
Funds Escheated	-	9,570	-	-
Refund of Funds Escheated	-	(1,859)	-	-
Transfer of Children's Hospital to Private Sector	-	-	-	-
Total Other Financing Sources (Uses)	(2,143)	3,061	-	-
Excess of Revenues and Other Sources Over Expenditures and Other Uses	147,611	7,603	50,548	17
Fund Balances - July 1 - As Previously Reported	1,355,599	48,791	131,408	-
Restatements	-	-	-	-
Residual Equity Transfers:				
Transfers Out	-	-	-	-
Increase in Reserve for Inventories	-	-	-	-
Fund Balances - June 30	$ 1,503,210	$ 56,394	$ 181,956	$ 17

Exhibit II-3

	Totals	
Departmental	June 30, 1989	June 30, 1988
$ -	$ 231,616	$ 236,612
43	6,600	6,014
150	150	151
2,230	137,754	122,345
14,353	14,353	12,484
906	906	238
6,868	9,962	5,160
1,666	47,700	31,167
592	1,415	1,889
26,808	450,456	416,060
830	2,835	1,445
1,851	1,851	496
12,578	12,578	10,902
559	559	673
1,676	1,676	1,869
250	250	165
576	576	594
4,436	221,218	187,157
22,756	241,543	203,301
4,052	208,913	212,759
2,174	2,174	1,782
(1,060)	(7,853)	(4,953)
-	9,570	7,784
-	(1,859)	(1,390)
-	-	(444)
1,114	2,032	2,779
5,166	210,945	215,538
32,862	1,568,660	1,362,040
(9)	(9)	-
-	-	(9,008)
61	61	90
$ 38,080	$ 1,779,657	$ 1,568,660

COMBINING BALANCE SHEET NONEXPENDABLE TRUST FUNDS

June 30, 1989 (With Comparative Totals for 1988)

(Expressed in Thousands)

Assets	Public Education Loan Funds	Insured Student Loan Program	Community Colleges Loans and Scholarships	Wildlife Endowment Program
Cash and Cash Equivalents	$ 6,358	$ 605	$ 4,203	$ 16,277
Investments	-	48,101	602	-
Receivables:				
Intergovernmental Receivables	-	2,511	-	-
Investment Earnings	306	1,262	31	123
Interfund Receivables	-	5,481	-	-
Notes Receivable	13,769	58,451	16	-
Total Assets	$ 20,433	$ 116,411	$ 4,852	$ 16,400
Liabilities and Fund Balances				
Liabilities:				
Intergovernmental Payables	$ -	$ -	$ 1	$ -
Interfund Payables	-	-	-	-
Total Liabilities	-	-	1	-
Fund Balances:				
Reserved	20,433	116,411	4,851	16,400
Total Fund Balances	20,433	116,411	4,851	16,400
Total Liabilities and Fund Balances	$ 20,433	$ 116,411	$ 4,852	$ 16,400

Exhibit H-4

Clean Water Fund	Other Funds	Totals June 30, 1989	Totals June 30, 1988
$ 23,918	$ 417	$ 51,778	$ 36,994
-	-	48,703	23,416
-	-	2,511	2,083
174	2	1,898	1,111
-	-	5,481	4,122
2,826	75	75,137	75,494
$ 26,918	$ 494	$ 185,508	$ 143,220
$ -	$ -	$ 1	$ 9
-	-	-	1
-	-	1	10
26,918	494	185,507	143,210
26,918	494	185,507	143,210
$ 26,918	$ 494	$ 185,508	$ 143,220

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES NONEXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1989 (With Comparative Totals for 1988)

(Expressed in Thousands)

	Public Education Loan Funds	Insured Student Loan Program	Community Colleges Loans and Scholarships	Wildlife Endowment Program
Operating Revenues:				
Federal Grants	$ -	$ 3,085	$ -	$ -
Investment Earnings	618	3,492	431	1,389
Interest Earnings on Loans	166	3,662	-	-
Fees, Licenses and Fines	-	-	-	860
Contributions	-	-	59	29
Total Operating Revenues	784	10,239	490	2,278
Operating Expenses:				
Personal Services	-	-	6	-
Services	-	1,173	-	-
Interest	-	-	-	-
Loan Cancellation and Write-offs	274	-	-	-
Grants to Local Governments	-	-	-	-
Other Expenses	1	48	506	-
Total Operating Expenses	275	1,221	512	-
Operating Income (Loss)	509	9,018	(22)	2,278
Operating Transfers:				
Operating Transfers In	6,000	4,651	-	-
Operating Transfers Out	(61)	-	-	(875)
Total Operating Transfers In (Out)	5,939	4,651	-	(875)
Net Income (Loss)	6,448	13,669	(22)	1,403
Fund Balances - July 1 - As Previously Reported	13,985	102,742	4,873	14,997
Residual Equity Transfers:				
Transfers Out	-	-	-	-
Fund Balances - June 30	$ 20,433	$ 116,411	$ 4,851	$ 16,400

Exhibit H-5

Clean Water Fund	Other Funds	Totals	
		June 30, 1989	June 30, 1988
$ -	$ -	$ 3,085	$ 2,646
2,028	17	7,975	4,319
-	-	3,828	4,388
-	26	886	604
-	3	91	106
2,028	46	15,865	12,063
-	-	6	5
-	-	1,173	1,332
-	-	-	353
-	-	274	328
7,020	-	7,020	-
-	-	555	893
7,020	-	9,028	2,911
(4,992)	46	6,837	9,152
25,800	-	36,451	13,622
(50)	(5)	(991)	(64)
25,750	(5)	35,460	13,558
20,758	41	42,297	22,710
6,160	453	143,210	124,631
-	-	-	(4,131)
$ 26,918	$ 494	$ 185,507	$ 143,210

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION NONEXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1989 (With Comparative Totals for 1988)
(Expressed in Thousands)

	Public Education Loan Funds	Insured Student Loan Program	Community Colleges Loans and Scholarships	Wildlife Endowment Program
Sources of Working Capital:				
Operations:				
Net Income (Loss)	$ 6,448	$ 13,669	$ (22)	$ 1,403
Items Not Requiring Working Capital:				
Amortization	-	-	-	-
Working Capital Provided by Operations	6,448	13,669	(22)	1,403
Proceeds from Sale of Investments	-	68,923	-	-
Other Sources:				
Principal Collections on Loans	-	7,800	-	-
Collection of Long-Term Notes Receivable	-	-	-	-
Total Sources of Working Capital	6,448	90,392	(22)	1,403
Uses of Working Capital:				
Purchase of Investments	-	94,204	-	-
Other Uses:				
Retirement of Bonds	-	-	-	-
Issuance of Student Loans	-	-	-	-
Residual Equity Transfer	-	-	-	-
Other	-	-	-	-
Total Uses of Working Capital	-	94,204	-	-
Net Increase (Decrease) in Working Capital	$ 6,448	$ (3,812)	$ (22)	$ 1,403
Elements of Net Increase (Decrease) in Working Capital:				
Cash and Cash Equivalents	$ 1,787	$ (6,464)	$ (32)	$ 1,380
Investments	-	-	5	-
Receivables:				
Intergovernmental Receivables	-	429	(1)	-
Investment Earnings	16	864	-	22
Interfund Receivables	-	1,359	-	-
Notes Receivable	4,645	-	(2)	-
Intergovernmental Payables	-	-	8	-
Interfund Payables	-	-	-	1
Interest Payable	-	-	-	-
Net Increase (Decrease) in Working Capital	$ 6,448	$ (3,812)	$ (22)	$ 1,403

Exhibit H-6

Clean Water Fund	Other Funds	Totals	
		June 30, 1989	June 30, 1988
$ 20,758	$ 41	$ 42,297	$ 22,710
-	-	-	246
20,758	41	42,297	22,956
-	-	68,923	58,028
-	-	7,800	12,614
-	25	25	25
20,758	66	119,045	93,623
-	-	94,204	49,250
-	-	-	25,620
-	-	-	3,786
-	-	-	4,131
-	-	-	55
-	-	94,204	82,842
$ 20,758	$ 66	$ 24,841	$ 10,781
$ 18,048	$ 65	$ 14,784	$ 8,928
-	-	5	8
-	-	428	156
(116)	1	787	169
-	-	1,359	550
2,826	-	7,469	476
-	-	8	-
-	-	1	6
-	-	-	488
$ 20,758	$ 66	$ 24,841	$ 10,781

COMBINING BALANCE SHEET
PENSION TRUST FUNDS

June 30, 1989 (With Comparative Totals for 1988)

(Expressed in Thousands)

	Teachers' and State Employees' Retirement System	Consolidated Judicial Retirement System	Legislative Retirement System
Assets			
Cash and Cash Equivalents	$ 37,402	$ 1,189	$ 540
Investments	11,981,655	82,589	3,551
Receivables:			
Accounts Receivable	212	-	-
Investment Earnings	399	10	3
Contributions	65,993	720	68
Total Assets	$ 12,085,661	$ 84,508	$ 4,162
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable and Accrued Liabilities:			
Accounts Payable	$ -	$ -	$ -
Interfund Payables	-	-	-
Benefits Payable	63	2	-
Total Liabilities	63	2	-
Fund Balances:			
Reserved	12,085,598	84,506	4,162
Total Fund Balances	12,085,598	84,506	4,162
Total Liabilities and Fund Balances	$ 12,085,661	$ 84,508	$ 4,162

Exhibit H-7

Firemen's and Rescue Squad Workers' Pension Fund	North Carolina National Guard Pension Fund	Local Governmental Employees' Retirement System	Totals	
			June 30, 1989	June 30, 1988
$ 668	$ 1,196	$ 14,340	**$ 55,335**	$ 21,225
66,484	6,243	2,648,775	**14,789,297**	13,206,725
-	-	145	**357**	159
9	8	189	**618**	454
-	-	17,111	**83,892**	77,255
$ 67,161	$ 7,447	$ 2,680,560	**$ 14,929,499**	$ 13,305,818
$ 1	$ -	$ -	**$ 1**	$ -
2	-	-	**2**	2
-	12	31	**108**	104
3	12	31	**111**	106
67,158	7,435	2,680,529	**14,929,388**	13,305,712
67,158	7,435	2,680,529	**14,929,388**	13,305,712
$ 67,161	$ 7,447	$ 2,680,560	**$ 14,929,499**	$ 13,305,818

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES PENSION TRUST FUNDS

For the Fiscal Year Ended June 30, 1989 (With Comparative Totals for 1988)

(Expressed in Thousands)

	Teachers' and State Employees' Retirement System	Consolidated Judicial Retirement System	Legislative Retirement System
Operating Revenues:			
Investment Earnings	$ 1,060,441	$ 7,319	$ 336
Fees, Licenses and Fines	-	-	-
Contributions	759,291	8,429	858
Miscellaneous	349	-	-
Total Operating Revenues	1,820,081	15,748	1,194
Operating Expenses:			
Administration	2,760	18	2
Benefits	488,135	5,476	207
Refund of Contributions	39,459	23	7
Total Operating Expenses	530,354	5,517	216
Operating Income	1,289,727	10,231	978
Fund Balances - July 1 - As Previously Reported	10,795,871	74,275	3,184
Fund Balances - June 30	$ 12,085,598	$ 84,506	$ 4,162

Exhibit H-8

Firemen's and Rescue Squad Workers' Pension Fund	North Carolina National Guard Pension Fund	Local Governmental Employees' Retirement System	Totals	
			June 30, 1989	June 30, 1988
$ 5,998	$ 663	$ 234,459	$ 1,309,216	$ 1,418,275
-	-	4,549	4,549	4,200
6,952	1,800	190,786	968,116	912,431
-	-	17	366	209
12,950	2,463	429,811	2,282,247	2,335,115
-	11	966	3,757	3,523
6,003	812	90,419	591,052	532,329
285	-	23,988	63,762	61,915
6,288	823	115,373	658,571	597,767
6,662	1,640	314,438	1,623,676	1,737,348
60,496	5,795	2,366,091	13,305,712	11,568,364
$ 67,158	$ 7,435	$ 2,680,529	$ 14,929,388	$ 13,305,712

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION PENSION TRUST FUNDS

For the Fiscal Year Ended June 30, 1989 (With Comparative Totals for 1988)
(Expressed in Thousands)

	Teachers' and State Employees' Retirement System	Consolidated Judicial Retirement System	Legislative Retirement System
Sources of Working Capital:			
Operations:			
Net Income	$ 1,289,727	$ 10,231	$ 978
Total Sources of Working Capital	1,289,727	10,231	978
Uses of Working Capital:			
None	-	-	-
Net Increase in Working Capital	$ 1,289,727	$ 10,231	$ 978
Elements of Net Increase (Decrease) in Working Capital:			
Cash and Cash Equivalents	$ 21,852	$ 644	$ 366
Investments	1,264,442	9,515	603
Receivables:			
Accounts Receivable	118	-	-
Investment Earnings	34	4	2
Contributions	3,272	70	7
Payables:			
Accounts Payable	-	-	-
Interfund Payables	-	-	-
Benefits Payable	9	(2)	-
Net Increase in Working Capital	$ 1,289,727	$ 10,231	$ 978

Exhibit H-9

Firemen's and Rescue Squad Workers' Pension Fund	North Carolina National Guard Pension Fund	Local Governmental Employees' Retirement System	Totals	
			June 30, 1989	June 30, 1988
$ 6,662	$ 1,640	$ 314,438	$ 1,623,676	$ 1,737,348
6,662	1,640	314,438	1,623,676	1,737,348
-	-	-	-	-
$ 6,662	$ 1,640	$ 314,438	$ 1,623,676	$ 1,737,348
$ (95)	$ 700	$ 10,643	$ 34,110	$ (661)
6,757	947	300,308	1,582,572	1,736,171
-	-	80	198	(7)
1	4	119	164	(61)
-	-	3,288	6,637	1,895
(1)	-	-	(1)	11
-	-	-	-	(2)
-	(11)	-	(4)	2
$ 6,662	$ 1,640	$ 314,438	$ 1,623,676	$ 1,737,348

MOVIES FILMED IN THE RESEARCH TRIANGLE AREA

The movie industry has arrived in North Carolina. In 1989, 14 feature films were shot in the state, including several in the Research Triangle area. The state's moderate climate and extensive contingent of movie craftsmen has led to three major studio complexes being located in the state.

Triangle residents have become used to seeing movie stars in their neighborhoods. In the past few years, the following major motion pictures have been filmed in Raleigh, Durham, Chapel Hill and the Research Triangle Park:

Bull Durham, the movie that made the Durham Bulls baseball team America's minor league team, starred Kevin Costner and Susan Sarandon. One national critic called it "The best baseball movie ever made." The film earned an Academy Award nomination for director/writer Ron Shelton and grossed $50 million for Orion Pictures.

Brainstorm was a near future thriller that utilized the high tech architecture found in the Triangle Park and several Raleigh neighborhoods as backdrops. The movie starred Natalie Wood, Christopher Walken and Cliff Robertson, and was Natalie Wood's last movie before her death.

The Handmaid's Tale is an action thriller that takes place in the future, depicting life in a U.S. taken over by factions of the religious right. The climactic execution scene was filmed in front of Duke Chapel in Durham and will be long remembered by moviegoers. Robert Duvall and Faye Dunaway starred in the film, which will open in early 1990.

Once Around stars Richard Dreyfuss and Holly Hunter in a love story. The movie will be filmed in Durham in 1990.

Weeds is the real-life story about a group of ex-cons who form a theatre group and stars Nick Nolte and Rita Taggart. Locations used in the film included Duke and North Carolina Central University and the Raleigh-Durham International Airport.

The White Girl is journalist Tony Brown's anti-drug movie. It was filmed in 1987 and will open around the country in early 1990.

Kevin Costner and Susan Sarandon of **Bull Durham**

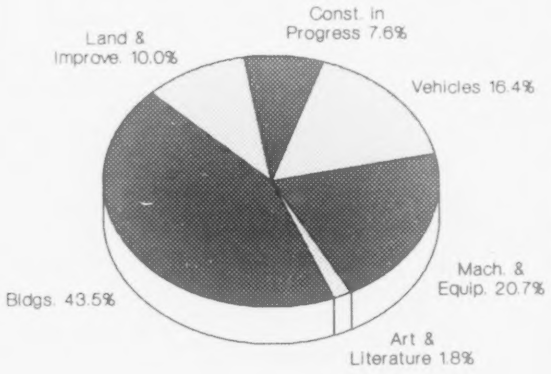
GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group is maintained to account for fixed assets acquired for general governmental purposes except for those accounted for in Proprietary Funds or University Funds.

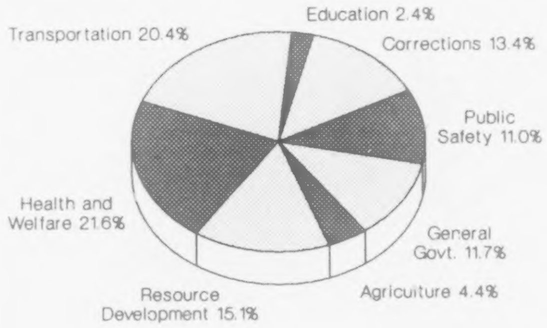
General Fixed Assets purchased are valued at cost where historic records are available and at estimated historic cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. General Fixed Assets totaled $1.7 billion at June 30, 1989. Infrastructures, which include highways, bridges and rights-of-way, are not capitalized. Depreciation expense is not recognized in the General Fixed Assets Account Group.

The charts provide a breakdown and a comparison of fixed assets by class and by functional uses as of June 30, 1989.

General Fixed Assets by Class



General Fixed Assets by Function



SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION

June 30, 1989

Exhibit I-1

(Expressed in Thousands)

Function	Land and Improvements	Buildings and Fixed Equipment	Machinery and Equipment	Motor Vehicles and Motorized Equipment	Art Works and Literature	Construction in Progress	Totals
General Government	$ 22,747	$ 100,155	$ 18,429	$ 602	$ 354	$ 57,177	$ 199,464
Public Safety and Regulation	14,527	60,512	71,753	29,806	794	8,949	186,341
Corrections	4,771	185,281	30,406	-	-	7,696	228,154
Education	1,348	15,874	16,825	277	479	5,380	40,183
Transportation	22,055	53,293	66,317	206,248	-	-	347,913
Health, Welfare and Rehabilitation	3,301	238,915	92,859	7,886	1,687	21,971	366,619
Resource Development and Preservation	82,252	60,073	40,926	29,854	26,970	16,088	256,163
Agriculture	18,159	27,502	13,877	3,722	81	11,357	74,698
Total General Fixed Assets	$ 169,160	$ 741,605	$ 351,392	$ 278,395	$ 30,365	$ 128,618	$ 1,699,535

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION

For the Fiscal Year Ended June 30, 1989

Exhibit I-2

(Expressed in Thousands)

Function	Balance July 1, 1988	Prior Year Adjustments	Transfers From Other Funds	Additions	Deletions	Balance June 30, 1989
General Government	$ 171,498	$ 104	$ (13)	$ 28,937	$ 1,062	$ 199,464
Public Safety and Regulation	168,496	178	-	26,740	9,073	186,341
Corrections	217,761	(218)	-	12,301	1,690	228,154
Education	35,307	3	-	5,664	791	40,183
Transportation	131,559	1,845	185,739	39,598	10,828	347,913
Health, Welfare and Rehabilitation	348,612	169	(612)	27,147	8,697	366,619
Resource Development and Preservation	213,497	23,938	26	21,513	2,811	256,163
Agriculture	70,788	-	(349)	9,040	4,781	74,698
Total General Fixed Assets	$ 1,357,518	$ 26,019	$ 184,791	$ 170,940	$ 39,733	$ 1,699,535

GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP

The General Long-Term Obligations Account Group is maintained to account for the outstanding principal balances of the State's long-term obligations not reported in Proprietary or University Funds.

The following activities are included in the General Long-Term Obligations Account Group:

General Obligation Bonds for Capital Projects and certain revenue-producing Capital Projects;

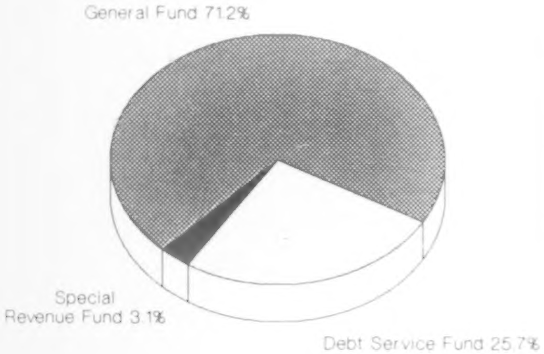
The long-term portion of **capital lease obligations**;

The long-term portion of the liability for **accrued vacation**; and,

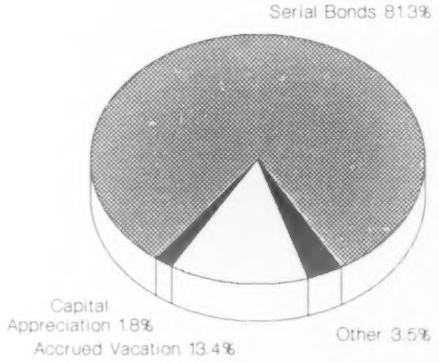
Long-term payables relating primarily to Workers' Compensation claims.

The charts provide a breakdown of the type of long-term obligations by class and the sources of repayment of those obligations, as of June 30, 1989. General Long-Term Obligations totaled $794.6 million at June 30, 1989.

Amount to be Provided for the Retirement of General Long-Term Obligations



General Long-Term Obligations



COMPARATIVE STATEMENTS OF GENERAL LONG-TERM OBLIGATIONS

June 30, 1989 and 1988

Exhibit J-1

(Expressed in Thousands)

Amount Available and to be Provided for the Payment of General Long-Term Obligations	June 30, 1989	June 30, 1988
Amount Available In Debt Service Funds	$ 1,610	$ 2,965
Amount to be Provided for Retirement of General Long-Term Obligations:		
By General Fund	564,796	567,411
By Special Revenue Funds	24,283	21,150
By Debt Service Funds		
Highway Bonds	202,730	226,750
Alcoholic Beverage Control Commission Revenue Bonds	1,190	1,257
Horse and Livestock Facility Revenue Bonds	-	258
Total Available and to be Provided	$ 794,609	$ 819,791

General Long-Term Obligations	June 30, 1989	June 30, 1988
Bonds Payable:		
General Obligation Bonds Payable:		
Serial Bonds Payable	$ 646,462	$ 708,160
Capital Appreciation Bonds Payable	13,967	-
Total General Obligation Bonds Payable	660,429	708,160
Revenue Bonds Payable	2,800	4,480
Total Bonds Payable	663,229	712,640
Long-Term Payables	23,048	11,790
Capital Leases Payable	1,794	1,695
Accrued Vacation Leave	106,538	93,666
Total General Long-Term Obligations	$ 794,609	$ 819,791

SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE

June 30, 1989
(Expressed in Thousands)

		Revenue Bonds			General Obligation Bonds				
						Payable from General Fund Revenues			
	Total Bonds Payable	Total Revenue Bonds	Horse and Livestock Facility	Alcoholic Beverage Control Commission	Total General Obligation Bonds	Total General Fund	Capital Improvement 12-1-71	Public School Facility Series A 12-1-74	Clean Water Series A 12-1-74
Bonds Authorized and Issued									
Chapter 909, 1971 Session Law	$126,500	$ -	$ -	$ -	$126,500	$126,500	$ -	$ -	$ 29,500
Chapter 1240, 1971 Session Law	45,995	-	-	-	45,995	45,995	45,995	-	-
Chapter 657, 1973 Session Law	195,000	-	-	-	195,000	195,000	-	45,000	-
Chapter 854, 1975 Session Law	43,250	-	-	-	43,250	43,250	-	-	-
Chapter 858, 1975 Session Law	1,600	1,600	1,600	-	-	-	-	-	-
Chapter 677, 1977 Session Law	78,000	-	-	-	78,000	78,000	-	-	-
Chapter 1285, 1981 Session Law	5,550	5,550	-	5,550	-	-	-	-	-
Chapter 1048, 1987 Session Law	20,499	-	-	-	20,499	20,499	-	-	-
General Statute Chapter 142	460,000	-	-	-	460,000	210,000	-	-	-
Total Bonds Authorized and Issued	976,394	7,150	1,600	5,550	969,244	719,244	45,995	45,000	29,500
Bonds Retired	313,165	4,350	1,600	2,750	308,815	261,545	39,995	26,000	19,000
Bonds Outstanding - June 30, 1989	$663,229	$ 2,800	$ -	$ 2,800	$660,429	$457,699	$ 6,000	$ 19,000	$ 10,500
Bond Maturity As Follows									
1989-90	$ 73,076	$ 650	$ -	$ 650	$ 72,426	$ 45,661	$ 4,000	$ 3,000	$ 1,500
1990-91	73,641	650	-	650	72,991	45,661	2,000	3,000	1,500
1991-92	76,390	750	-	750	75,640	45,700	-	3,000	1,500
1992-93	77,590	750	-	750	76,840	45,200	-	2,000	1,500
1993-94	77,923	-	-	-	77,923	44,938	-	2,000	1,500
1994-95	69,760	-	-	-	69,760	44,670	-	2,000	1,500
1995-96	68,578	-	-	-	68,578	44,458	-	2,000	1,500
1996-97	46,782	-	-	-	46,782	41,922	-	2,000	-
1997-98	33,715	-	-	-	33,715	33,715	-	-	-
1998-99	30,297	-	-	-	30,297	30,297	-	-	-
1999-2000	27,009	-	-	-	27,009	27,009	-	-	-
2000-01	3,365	-	-	-	3,365	3,365	-	-	-
2001-02	804	-	-	-	804	804	-	-	-
2002-03	752	-	-	-	752	752	-	-	-
2003-04	698	-	-	-	698	698	-	-	-
2004-05	653	-	-	-	653	653	-	-	-
2005-06	605	-	-	-	605	605	-	-	-
2006-07	566	-	-	-	566	566	-	-	-
2007-08	530	-	-	-	530	530	-	-	-
2008-09	495	-	-	-	495	495	-	-	-
Total Bonds Outstanding	$663,229	$ 2,800	$ -	$ 2,800	$660,429	$457,699	$ 6,000	$ 19,000	$ 10,500

Exhibit J-2

General Obligation Bonds										
Payable from General Fund Revenues									Payable from Highway Fund Revenues	
		Public Improvement Bonds								
Public School Facility Series C 6-1-76	Clean Water Series C 6-1-76	1976 12-1-76	1977 6-1-77	1978 11-1-78	1979 11-1-79	Refunding Series 1986 7-1-86	Clean Water Series 1987 6-1-87	Capital Improvement Series 1989 5-1-89 [*]	Total Highway Fund	Highway Refunding Series 1986 7-1-86
$ -	$ 25,000	$ 10,000	$ 30,000	$ 4,000	$ 28,000	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-	-	-	-
50,000	-	40,000	25,000	16,250	18,750	-	-	-	-	-
-	-	25,000	-	18,250	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	11,500	20,500	-	46,000	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	20,499	-	-
-	-	-	-	-	-	210,000		-	250,000	250,000
50,000	25,000	75,000	55,000	50,000	67,250	210,000	46,000	20,499	250,000	250,000
23,000	12,000	37,000	29,000	17,000	27,250	26,300	5,000	-	47,270	47,270
$ 27,000	$ 13,000	$ 38,000	$ 26,000	$ 33,000	$ 40,000	$ 183,700	$ 41,000	$ 20,499	$ 202,730	$ 202,730
$ 4,000	$ 2,000	$ 5,000	$ 4,000	$ 2,000	$ 3,000	$ 13,180	$ 2,500	$ 1,481	$ 26,765	$ 26,765
4,000	2,000	5,000	4,000	4,000	3,000	13,085	2,500	1,576	27,330	27,330
3,500	1,500	5,000	4,000	4,000	4,000	15,020	2,500	1,680	29,940	29,940
3,500	1,500	5,000	4,000	4,000	4,000	14,905	3,000	1,795	31,640	31,640
2,000	1,000	5,000	4,000	4,000	4,000	16,055	4,000	1,383	32,985	32,985
2,000	1,000	5,000	4,000	4,000	4,000	15,875	4,000	1,295	25,090	25,090
2,000	1,000	5,000	2,000	4,000	4,000	17,745	4,000	1,213	24,120	24,120
2,000	1,000	3,000	-	4,000	4,000	20,790	4,000	1,132	4,860	4,860
2,000	1,000	-	-	3,000	5,000	17,655	4,000	1,060	-	-
2,000	1,000	-	-	-	5,000	17,305	4,000	992	-	-
-	-	-	-	-	-	22,085	4,000	924	-	-
-	-	-	-	-	-	-	2,500	865	-	-
-	-	-	-	-	-	-	-	804	-	-
-	-	-	-	-	-	-	-	752	-	-
-	-	-	-	-	-	-	-	698	-	-
-	-	-	-	-	-	-	-	653	-	-
-	-	-	-	-	-	-	-	605	-	-
-	-	-	-	-	-	-	-	566	-	-
-	-	-	-	-	-	-	-	530	-	-
-	-	-	-	-	-	-	-	495	-	-
$ 27,000	$ 13,000	$ 38,000	$ 26,000	$ 33,000	$ 40,000	$ 183,700	$ 41,000	$ 20,499	$ 202,730	$ 202,730

[*] Serial Bonds (Years 1990 - 1993)	6,532
Capital Appreciation Bonds (Years 1994 - 2009)	13,967
	$ 20,499

UNIVERSITY FUNDS

The University Funds account for the operations of sixteen campuses of the Consolidated University System and UNC-General Administration. The University Funds are presented in conformity with the National Association of College and University Business Officers (NACUBO) and the American Institute of Certified Public Accountants (AICPA) recommended formats.

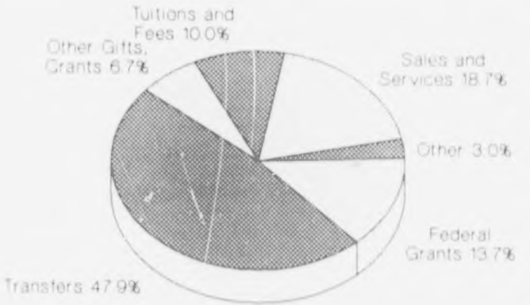
The University system is governed by a single Board of Governors. The sixteen campuses have their own separate boards of trustees responsible for their campus' operations only. The constitutionally authorized Board of Governors is composed of thirty-two members elected by the General Assembly and has authority to choose its own chairman and other officers. University-wide administration and execution of board policy is the responsibility of the President of the University. The President, the officers of the University and their supporting staff constitute the General Administration of the University.

The following campuses comprise the Consolidated University System:

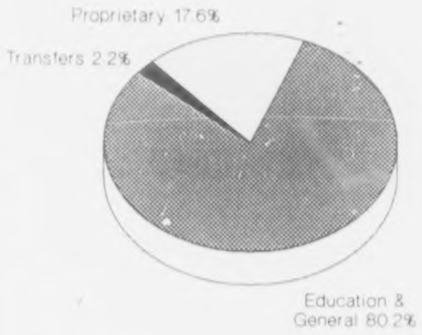
- University of North Carolina-Chapel Hill
- North Carolina State University
- University of North Carolina-Greensboro
- University of North Carolina-Charlotte
- University of North Carolina-Asheville
- University of North Carolina-Wilmington
- East Carolina University
- North Carolina A&T University
- Western Carolina University
- Appalachian State University
- Pembroke State University
- Winston-Salem State University
- Elizabeth City State University
- Fayetteville State University
- North Carolina Central University
- North Carolina School of the Arts

The charts provide a breakdown of University Current Funds revenues and expenditures for the year ended June 30, 1989, on the accrual basis of accounting. Under this basis, total revenues, transfers and other additions exceeded total expenditures, transfers and other deductions by $38.9 million in 1989.

University Current Fund Revenues



University Current Fund Expenditures



COMBINING BALANCE SHEET ALL UNIVERSITY FUNDS

June 30, 1989 (With Comparative Totals for 1988)

Exhibit K-1

(Expressed in Thousands)

	University Fund Types			Totals	
	Current	Fiduciary	Plant	June 30, 1989	June 30, 1988
Assets					
Cash and Cash Equivalents	$ 262,130	$ 27,462	$ 225,025	**$ 514,617**	$ 487,442
Investments	98,051	271,114	81,013	**450,178**	436,860
Receivables	77,604	1,227	2,128	**80,959**	64,616
Interfund Receivables	10,955	500	5,433	**16,888**	18,605
Notes Receivable	329	66,779	-	**67,108**	62,311
Inventories	23,466	-	-	**23,466**	21,263
Prepaid Items	1,662	-	180	**1,842**	1,678
Fixed Assets	-	19,279	2,543,951	**2,563,230**	2,299,980
Total Assets	$ 474,197	$ 386,361	$ 2,857,730	**$ 3,718,288**	$ 3,392,755
Liabilities and Fund Equity					
Liabilities:					
Accounts Payable and Accrued Liabilities	$ 70,859	$ 11,067	$ 17,573	**$ 99,499**	$ 80,122
Interfund Payables	8,218	1,097	4,849	**14,164**	15,712
Notes Payable	328	186	34,401	**34,915**	38,466
Capital Leases Payable	-	-	8,146	**8,146**	9,356
Bonds Payable	-	-	258,823	**258,823**	243,494
Interest Payable	57	-	6,671	**6,728**	6,310
Deposits Payable	8,524	83,980	7,377	**99,881**	80,766
Accrued Vacation Leave	49,054	3	-	**49,057**	44,939
Deferred Revenue	14,473	-	37	**14,510**	13,174
Total Liabilities	151,513	96,333	337,877	**585,723**	532,339
Fund Equity:					
Investment in Fixed Assets	-	-	2,316,466	**2,316,466**	2,102,027
Fund Balances:					
Reserved/Restricted	99,093	290,028	37,368	**426,489**	368,065
Unreserved/Unrestricted:					
Designated for Subsequent Years' Expenditures	-	-	166,019	**166,019**	192,162
Undesignated	223,591	-	-	**223,591**	198,162
Total Fund Equity	322,684	290,028	2,519,853	**3,132,565**	2,860,416
Total Liabilities and Fund Equity	$ 474,197	$ 386,361	$ 2,857,730	**$ 3,718,288**	$ 3,392,755

COMBINING BALANCE SHEET
ALL UNIVERSITY CURRENT FUNDS

June 30, 1989 (With Comparative Totals for 1988)

Exhibit K-2

(Expressed in Thousands)

	Unrestricted			Totals	
	General	Proprietary	Restricted	June 30, 1989	June 30, 1988
Assets					
Cash and Cash Equivalents	$ 65,625	$ 115,744	$ 80,761	$ 262,130	$ 238,830
Investments	21,507	59,096	17,448	98,051	79,922
Receivables:					
Accounts Receivable:					
Accounts Receivable - Students (Net)	3,655	2,517	10	6,182	6,161
Accounts Receivable - Patients (Net)	-	30,145	-	30,145	24,445
Accounts Receivable - Other	4,904	7,122	12,484	24,510	17,106
Intergovernmental Receivables	54	190	12,147	12,391	9,331
Investment Earnings	1,698	1,140	1,538	4,376	4,231
Interfund Receivables	3,072	3,490	4,393	10,955	9,897
Notes Receivable (Net)	-	327	2	329	3
Inventories	4,224	19,084	158	23,466	21,263
Prepaid Items	159	90	1,413	1,662	1,563
Total Assets	$ 104,898	$ 238,945	$ 130,354	$ 474,197	$ 412,752
Liabilities and Fund Equity					
Liabilities:					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	$ 12,609	$ 11,654	$ 12,926	$ 37,189	$ 27,875
Accrued Liabilities	24,850	2,585	2,922	30,357	30,054
Intergovernmental Payables	6	2	3,305	3,313	3,274
Interfund Payables	3,372	2,295	2,551	8,218	8,780
Notes Payable	18	310	-	328	12
Interest Payable	2	55	-	57	40
Deposits Payable	2,433	6,088	3	8,524	7,800
Accrued Vacation Leave	35,523	7,640	5,891	49,054	44,936
Deferred Revenue	5,725	5,085	3,663	14,473	13,154
Total Liabilities	84,538	35,714	31,261	151,513	135,925
Fund Equity:					
Fund Balances:					
Reserved/Restricted	-	-	99,093	99,093	78,228
Unreserved/Unrestricted:					
Designated for Subsequent Years' Expenditures	-	-	-	-	437
Undesignated	20,360	203,231	-	223,591	198,162
Total Fund Equity	20,360	203,231	99,093	322,684	276,827
Total Liabilities and Fund Equity	$ 104,898	$ 238,945	$ 130,354	$ 474,197	$ 412,752

COMBINING STATEMENT OF CHANGES IN FUND EQUITY ALL UNIVERSITY CURRENT FUNDS

For the Fiscal Year Ended June 30, 1989 (With Comparative Totals for 1988)

Exhibit K-3

(Expressed in Thousands)

	Unrestricted			Totals	
	General	Proprietary	Restricted	June 30, 1989	June 30, 1988
Revenues and Other Additions:					
Tuition and Fees	$ 162,463	$ 39,033	$ -	$ 201,496	$ 185,095
Federal Appropriations	18,593	-	-	18,593	17,758
Federal Contracts and Grants	36,962	-	219,527	256,489	218,236
State Contracts and Grants	1,435	-	26,037	27,472	21,864
Local Contracts and Grants	58	-	857	915	1,013
Private Gifts, Contracts and Grants	9,458	2,732	94,811	107,001	84,236
Endowment Income	1,773	3	10,849	12,625	13,815
Sales and Services	30,982	341,282	1,692	373,956	356,387
Investment Earnings	9,883	12,762	6,512	29,157	24,983
Other Revenues and Additions	7,779	2,600	8,338	18,717	20,355
Total Revenues and Other Additions	279,386	398,412	368,623	1,046,421	943,742
Expenditures and Other Deductions:					
Educational and General:					
Instruction	600,583	-	36,362	636,945	609,048
Organized Research	67,431	-	137,235	204,666	184,101
Public Service	104,816	-	30,415	135,231	138,844
Academic Support	116,525	-	30,056	146,581	112,706
Student Services	38,252	-	1,825	40,077	37,574
Institutional Support	120,812	-	3,333	124,145	109.140
Physical Plant Operations	125,974	-	580	126,554	118,722
Student Financial Aid	56,297	-	65,360	121,657	110,571
Total Educational and General	1,230,690	-	305,166	1,535,856	1,420,706
Auxiliary Enterprises	-	220,885	-	220,885	260,276
Internal Service	-	25,672	-	25,672	22,970
Independent Operations	-	12,340	-	12,340	11,462
Professional Clinical Services	-	82,527	-	82,527	21,818
Indirect Cost Recovered	-	-	40,212	40,212	27,293
Refunded to Grantors	-	-	320	320	199
Realized Loss on Sale of Investments	1,064	-	2	1,066	-
Other Expenditures and Deductions	548	3,963	-	4,511	7,286
Total Expenditures and Other Deductions	1,232,302	345,387	345,700	1,923,389	1,772,010
Transfers-Additions (Deductions):					
Intrainstitutional Transfers:					
Mandatory Transfers	(4,439)	(18,085)	(109)	(22,633)	(19,430)
Non-Mandatory Transfers	(4,041)	(12,795)	(3,691)	(20,527)	(13,824)
Interinstitutional Transfers	1,462	-	(1,821)	(359)	(7,579)
Operating Transfers In	959,386	-	-	959,386	903,938
Net Transfers	952,368	(30,880)	(5,621)	915,867	863,105
Net Increase (Decrease) in Fund Equity	(548)	22,145	17,302	38,899	34,837
Fund Equity - July 1 - As Previously Reported	22,361	176,238	78,228	276,827	241,990
Restatements	(1,453)	4,848	3,563	6,958	-
Fund Equity - June 30	$ 20,360	$ 203,231	$ 99,093	$ 322,684	$ 276,827

COMBINING BALANCE SHEET
ALL UNIVERSITY FIDUCIARY FUNDS

June 30, 1989 (With Comparative Totals for 1988) Exhibit K-4
(Expressed in Thousands)

	Loan	Endowment And Similar	Agency	Totals June 30, 1989	Totals June 30, 1988
Assets					
Cash and Cash Equivalents	$ 8,840	$ 7,279	$ 11,343	**$ 27,462**	$ 23,723
Investments	782	188,990	81,342	**271,114**	240,266
Receivables:					
Accounts Receivable:					
Accounts Receivable - Other	-	-	482	**482**	252
Intergovernmental Receivables	27	-	38	**65**	74
Investment Earnings	254	11	415	**680**	605
Interfund Receivables	120	69	311	**500**	215
Notes Receivable (Net)	66,304	75	400	**66,779**	62,308
Fixed Assets:					
Land	-	18,038	207	**18,245**	10,472
Buildings	-	340	584	**924**	341
Machinery and Equipment	-	-	73	**73**	37
Art, Literature and Artifacts	-	37	-	**37**	37
Total Assets	$ 76,327	$ 214,839	$ 95,195	**$ 386,361**	$ 338,330
Liabilities and Fund Equity					
Liabilities:					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	$ 34	$ 42	$ 10,953	**$ 11,029**	$ 5,384
Accrued Liabilities	-	-	34	**34**	31
Intergovernmental Payables	3	-	1	**4**	7
Interfund Payables	953	106	38	**1,097**	299
Notes Payable	-	-	186	**186**	251
Deposits Payable	-	-	83,980	**83,980**	67,821
Accrued Vacation Leave	-	-	3	**3**	3
Total Liabilities	990	148	95,195	**96,333**	73,796
Fund Equity:					
Fund Balances:					
Reserved/Restricted for Loans	75,337	-	-	**75,337**	72,215
Reserved/Restricted for Endowments	-	214,691	-	**214,691**	192,319
Total Fund Equity	75,337	214,691	-	**290,028**	264,534
Total Liabilities and Fund Equity	$ 76,327	$ 214,839	$ 95,195	**$ 386,361**	$ 338,330

COMBINING STATEMENT OF CHANGES IN FUND EQUITY ALL UNIVERSITY FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 1989 (With Comparative Totals for 1988)

Exhibit K-5

(Expressed in Thousands)

	Loan	Endowment And Similar	Totals June 30, 1989	Totals June 30, 1988
Revenues and Other Additions:				
Federal Contracts and Grants	$ 963	$ -	$ 963	$ 1,314
Private Gifts, Contracts and Grants	34	10,476	10,510	7,043
Endowment Income	79	-	79	206
Investment Earnings	2,783	715	3,498	7,200
Realized Gain on Sale of Investments	33	7,515	7,548	7,409
Other Revenues and Additions	595	1	596	1,451
Total Revenues and Other Additions	4,487	18,707	23,194	24,623
Expenditures and Other Deductions:				
Administrative and Collection Costs, Loan Cancellations, and Bad Debts	3,046	-	3,046	3,497
Realized Loss on Sale of Investments	-	393	393	510
Total Expenditures and Other Deductions	3,046	393	3,439	4,007
Transfers-Additions (Deductions):				
Intrainstitutional Transfers:				
Mandatory Transfers	50	-	50	-
Non-Mandatory Transfers	1,030	4,093	5,123	4,461
Net Transfers	1,080	4,093	5,173	4,461
Net Increase in Fund Equity	2,521	22,407	24,928	25,077
Fund Equity - July 1 - As Previously Reported	72,215	192,319	264,534	235,326
Restatements	601	(35)	566	-
Residual Equity Transfer	-	-	-	4,131
Fund Equity - June 30	$ 75,337	$ 214,691	$ 290,028	$ 264,534

COMBINING BALANCE SHEET
ALL UNIVERSITY PLANT FUNDS

June 30, 1989 (With Comparative Totals for 1988)

Exhibit K-6

	Unexpended	Debt Service	Investment In Plant	Totals June 30, 1989	Totals June 30, 1988
Assets					
Cash and Cash Equivalents	$ 196,390	$ 28,635	$ -	**$ 225,025**	$ 224,889
Investments	59,705	21,308	-	**81,013**	116,672
Receivables:					
Accounts Receivable:					
Accounts Receivable - Students (Net)	-	9	-	**9**	66
Accounts Receivable - Other	166	12	-	**178**	31
Intergovernmental Receivables	29	15	-	**44**	15
Investment Earnings	1,374	523	-	**1,897**	2,299
Interfund Receivables	1,715	3,718	-	**5,433**	8,493
Prepaid Items	-	180	-	**180**	115
Fixed Assets:					
Land and Improvements	-	-	116,940	**116,940**	114,787
Buildings	-	-	1,223,408	**1,223,408**	1,175,298
Machinery and Equipment	-	-	562,769	**562,769**	497,991
Art, Literature and Artifacts	-	-	332,130	**332,130**	313,979
Construction in Progress	-	-	308,704	**308,704**	187,038
Total Assets	$ 259,379	$ 54,400	$ 2,543,951	**$ 2,857,730**	$ 2,641,673
Liabilities and Fund Equity					
Liabilities:					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	$ 17,567	$ 6	$ -	**$ 17,573**	$ 13,497
Interfund Payables	3,473	1,376	-	**4,849**	6,633
Notes Payable	2,149	-	32,252	**34,401**	38,203
Capital Leases Payable	-	-	8,146	**8,146**	9,356
Bonds Payable	65,331	6,405	187,087	**258,823**	243,494
Interest Payable	-	6,671	-	**6,671**	6,270
Deposits Payable - Contract Retainage	7,377	-	-	**7,377**	5,145
Deferred Revenue	-	37	-	**37**	20
Total Liabilities	95,897	14,495	227,485	**337,877**	322,618
Fund Equity:					
Investment in Fixed Assets	-	-	2,316,466	**2,316,466**	2,102,027
Fund Balances:					
Reserved/Restricted	-	37,368	-	**37,368**	25,303
Unreserved/Unrestricted:					
Designated for Subsequent Years' Expenditures	163,482	2,537	-	**166,019**	191,725
Total Fund Equity	163,482	39,905	2,316,466	**2,519,853**	2,319,055
Total Liabilities and Fund Equity	$ 259,379	$ 54,400	$ 2,543,951	**$ 2,857,730**	$ 2,641,673

COMBINING STATEMENT OF CHANGES IN FUND EQUITY ALL UNIVERSITY PLANT FUNDS

For the Fiscal Year Ended June 30, 1989 (With Comparative Totals for 1988) Exhibit K-7

(Expressed in Thousands)

	Unexpended	Debt Service	Investment In Plant	Totals June 30, 1989	Totals June 30, 1988
Revenues and Other Additions:					
Tuition and Fees	$ -	$ 2,592	$ -	**$ 2,592**	$ 2,651
Federal Contracts and Grants	1,698	245	-	**1,943**	397
Private Gifts, Contracts and Grants	7,713	-	394	**8,107**	680
Endowment Income	-	-	-	**-**	749
Investment Earnings	7,760	3,417	-	**11,177**	10,540
Realized Gain on Sale of Investments	22	4	-	**26**	229
Expended for Plant Facilities	-	-	222,189	**222,189**	192,517
Retirement of Indebtedness	-	-	12,580	**12,580**	14,066
Other Revenues and Additions	8,935	1,289	-	**10,224**	9,840
Total Revenues and Other Additions	26,128	7,547	235,163	**268,838**	231,669
Expenditures and Other Deductions:					
Realized Loss of Sale of Investments	331	-	-	**331**	-
Expended for Plant Facilities	140,354	-	-	**140,354**	118,944
Retirement of Indebtedness	-	19,204	-	**19,204**	11,491
Interest on Indebtedness	23	20,001	-	**20,024**	17,428
Disposal of Plant Facilities	-	-	21,966	**21,966**	18,153
Other Expenditures and Deductions	1	943	-	**944**	519
Total Expenditures and Other Deductions	140,7[illegible]	40,148	21,966	**202,823**	166,535
Transfers-Additions (Deductions):					
Intrainstitutional Transfers:					
Mandatory Transfers	-	27,598	-	**27,598**	(19)
Non-Mandatory Transfers	(118)	7,053	-	**6,935**	44,064
Interinstitutional Transfers	4,031	-	-	**4,031**	(7,703)
Operating Transfers In	97,377	-	-	**97,377**	77,320
Net Transfers	101,290	34,651	-	**135,941**	113,662
Net Increase (Decrease) in Fund Equity	(13,291)	2,050	213,197	**201,956**	178,796
Fund Equity - July 1 - As Previously Reported	178,824	38,204	2,102,027	**2,319,055**	2,140,259
Restatements	(2,051)	(349)	1,242	**(1,158)**	-
Fund Equity - June 30	$ 163,482	$ 39,905	$ 2,316,466	**$ 2,519,853**	$ 2,319,055

THE TRIANGLE'S HIGHER QUALITY OF LIFE

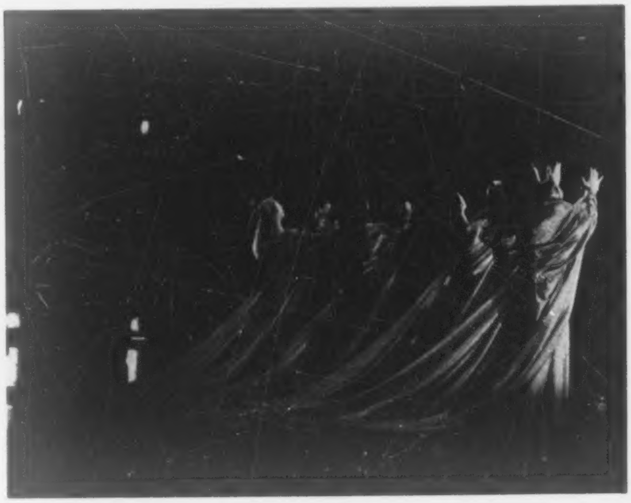
North Carolina Museum of Art

The North Carolina Museum of Art, the nation's first state-supported facility, features over 2,000 works valued at approximately $10 million. The collection includes Egyptian artifacts, Roman sculptures, and American masters Andrew Wyeth and Georgia O'Keefe. However, the Museum's finest works are contained in the European gallery, featuring works by Botticelli, Raphael, Monet, Goya, Rubens, Jordaens and Van Dyck.

Durham's Museum of Life and Science

The Museum of Life and Science in Durham includes a zoo, an aviary and an outdoor life-size dinosaur park, in addition to an impressive collection of space age technology. A life-size panorama displaying the first U.S. manned lunar landing, with an actual Apollo lunar lander from NASA, is a highlight of the museum.

The American Dance Festival is held each summer at Duke University in Durham and features spectacular performances by the world's greatest dance companies.



STATISTICAL SECTION

The Statistical Section is presented to give report users an historical perspective and to assist in determining current financial status and trends of the State government. Certain economic and demographic data is presented to provide a broader understanding of State government than is possible from the financial statements, notes and supporting schedule presentation in the Financial Section.

Index

Table 1 Revenues, Expenditures and Changes in Fund Balances (Budgetary Basis) - All Budgeted Funds 160
Table 2 Revenues by Source (Budgetary Basis) - General Fund 162
Table 3 Expenditures by Function and Object (Budgetary Basis) - General Fund 164
- Graphs of General Fund Revenues and Expenditures 166
- Graphs of Highway Fund Revenues and Expenditures 167
Table 4 Revenues by Source (Budgetary Basis) - Highway Fund 168
Table 5 Expenditures by Function (Budgetary Basis) - Highway Fund 170
Table 6 Total Number of State Government Permanent Positions Funded in the State Budget by Agency 172
Table 7 Computation of Legal Debt Limit 173
Table 8 General Obligation Bonds Debt Ratios 174
Table 9 Revenue Bond Coverage 175
Table 10 Assessed Value of Real Property, Tangible Personal Property and Public Service Companies 176
Table 11 Schedule of Bank and Savings and Loan Deposits of Institutions Located in North Carolina 177
Table 12 Cash Receipts from Farming by Commodities 178
Table 13 Major Private Employers 179
Table 14 Ten Largest Non-Agricultural Industries by Number of Employees 180
Table 15 Schedule of Miscellaneous Statistics 181
Table 16 Schedule of Demographic Data 182
Table 17 Analysis of Revenues and Expenditures (Budgetary Basis) - All Budgeted Funds - Adjusted for Inflation 184

REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (BUDGETARY BASIS)
ALL BUDGETED FUNDS

For the Fiscal Years 1980-1989

(Expressed in Thousands)

				Fiscal Years
	1989	1988	1987	1986
Revenues:				
Tax	**$ 6,548,282**	$ 6,163,516	$ 5,706,155	$ 5,081,772
Non-Tax	**519,875**	537,618	477,612	477,005
Departmental	**4,085,941**	3,564,201	3,172,667	2,936,052
Total Revenues	**11,154,098**	10,265,335	9,356,434	8,494,829
Expenditures:				
Current:				
General Government	**273,449**	211,424	173,914	161,816
Public Safety and Regulation	**423,134**	385,674	351,196	316,044
Corrections	**322,806**	276,777	255,073	234,014
Education	**5,225,667**	4,745,243	4,311,125	4,038,614
Transportation	**1,258,937**	1,212,890	1,039,396	976,022
Health, Welfare, and Rehabilitation	**2,875,936**	2,516,752	2,291,581	2,101,513
Resource Development and Preservation	**360,651**	369,941	331,929	338,347
Agriculture	**55,215**	50,838	49,303	46,582
Debt Service	**71,636**	73,923	63,949	73,481
Capital Outlay	**258,659**	173,020	297,667	253,503
Claims and Benefits	**87,363**	-	-	-
Budgeted Non-Cash Transactions	**-**	19	182	(7)
Total Expenditures	**11,213,453**	10,016,501	9,165,315	8,539,929
Excess Revenues Over (Under) Expenditures	**(59,355)**	248,834	191,119	(45,100)
Fund Balance - July 1	**1,667,624**	1,418,790	1,227,671	1,272,771
Adjustments	**(32)**	-	-	-
Fund Balance - June 30	**$ 1,608,237**	$ 1,667,624	$ 1,418,790	$ 1,227,671

Note: "All Budgeted Funds" includes the general fund, departmental special revenue funds, and the Highway Fund.

Table 1

Ended June 30					
1985	1984	1983	1982	1981	1980
$ 4,708,371	$ 4,178,382	$ 3,625,612	$ 3,419,973	$ 3,099,383	$ 2,903,961
450,585	412,050	323,539	331,562	312,850	277,110
2,795,775	2,450,523	2,326,031	2,158,525	2,193,825	2,104,015
7,954,731	7,040,955	6,275,182	5,910,060	5,606,058	5,285,086
152,851	131,664	137,835	123,424	223,830	185,408
294,415	257,017	214,318	197,950	200,624	180,259
217,064	194,433	176,019	160,085	149,411	127,618
3,569,882	3,123,267	2,912,898	2,926,976	2,724,543	2,360,503
951,163	807,264	710,143	642,351	697,034	745,371
1,91[illegible]53	1,800,460	1,633,184	1,552,631	1,438,764	1,312,986
310,932	254,398	219,736	167,686	172,947	179,338
41,396	37,907	34,717	33,507	32,836	30,246
76,077	79,174	74,886	61,858	60,230	53,915
212,535	59,782	65,772	30,861	104,141	84,379
-	-	-	-	-	-
7	95	4,026	7,205	-	-
7,741,175	6,745,461	6,183,534	5,904,534	5,804,360	5,260,023
213,556	295,494	91,648	5,526	(198,302)	25,063
1,059,215	763,721	672,073	666,547	843,182	834,729
-	-	-	-	21,667	(16,610)
$ 1,272,771	$ 1,059,215	$ 763,721	$ 672,073	$ 666,547	$ 843,182

REVENUES BY SOURCE (BUDGETARY BASIS) GENERAL FUND

For the Fiscal Years 1980-1989

(Expressed in Thousands)

	Fiscal Years							
	1989		1988		1987		1986	
	Amount	%	Amount	%	Amount	%	Amount	%
Tax Revenues:								
Income	**$ 3,551,756**	38.5	$ 3,312,805	38.6	$ 3,129,407	39.4	$ 2,717,424	37.3
Sales and Use	**1,681,725**	18.3	1,555,267	18.1	1,451,613	18.3	1,380,409	19.0
Franchise	**236,297**	2.6	234,780	2.7	206,523	2.6	197,595	2.7
Beverage	**127,615**	1.4	122,480	1.4	112,515	1.4	108,982	1.5
Insurance	**187,072**	2.0	186,461	2.2	139,229	1.8	134,815	1.9
Inheritance	**67,154**	0.7	60,728	0.7	73,540	0.9	82,021	1.1
Soft Drink	**27,912**	0.3	27,366	0.3	24,828	0.3	25,713	0.4
Cigarette	**7,952**	0.1	8,484	0.1	11,616	0.1	14,895	0.2
License	**22,413**	0.2	28,259	0.4	21,996	0.3	24,606	0.3
Building and Loan Association	**13,203**	0.1	8,696	0.2	4,443	0.1	2,524	0.0
Gift	**4,593**	0.0	5,012	0.1	3,937	0.0	4,682	0.1
Other	**850**	0.0	951	0.0	915	0.0	855	0.0
Total Tax Revenues	**5,928,542**	64.2	5,551,289	64.8	5,180,562	65.2	4,694,521	64.5
Non-Tax Revenues:								
Treasurer's Investment Income	**141,947**	1.5	167,117	1.9	139,318	1.8	151,251	2.1
Fees, Licenses and Fines	**49,434**	0.5	66,402	0.8	38,045	0.5	37,377	0.5
Other	**34,606**	0.4	19,719	0.2	34,152	0.4	27,721	0.4
Total Non-Tax Revenues	**225,987**	2.4	253,238	2.9	211,515	2.7	216,349	3.0
Total Tax and Non-Tax Revenues	**6,154,529**	66.6	5,804,527	67.7	5,392,077	67.9	4,910,870	67.5
Departmental and Institutional Receipts:								
Federal Funds	**1,747,001**	18.9	1,576,323	18.4	1,445,887	18.2	1,386,422	19.0
Local Funds	**264,225**	2.9	224,832	2.6	200,741	2.5	178,816	2.5
Transfers	**390,612**	4.2	317,241	3.7	305,530	3.9	258,294	3.5
Sales and Services	**382,431**	4.1	357,112	4.1	326,000	4.1	301,304	4.1
Universities [1]	**215,720**	2.3	211,924	2.5	195,581	2.5	186,294	2.6
Other [1]	**90,423**	1.0	83,965	1.0	69,552	0.9	56,673	0.8
Total Departmental and Institutional Receipts	**3,090,412**	33.4	2,771,397	32.3	2,543,291	32.1	2,367,803	32.5
Total General Fund Revenues	**$ 9,244,941**	100.0	$ 8,575,924	100.0	$ 7,935,368	100.0	$ 7,278,673	100.0

[1] - Data for University receipts and Other receipts were combined prior to 1986.

Table 2

Ended June 30											
1985		1984		1983		1982		1981		1980	
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
$ 2,513,419	37.4	$ 2,152,811	36.0	$ 1,856,624	35.4	$ 1,726,818	34.4	$ 1,583,321	33.4	$ 1,471,139	33.6
1,155,845	17.2	998,987	16.7	823,400	15.7	777,449	15.5	737,098	15.6	691,902	15.8
310,143	4.6	326,787	5.5	298,561	5.7	269,764	5.4	235,280	5.0	200,815	4.6
105,015	1.6	101,192	1.7	100,343	1.9	99,641	2.0	95,390	2.0	90,461	2.1
116,108	1.7	106,523	1.8	98,117	1.9	92,817	1.8	86,188	1.8	80,259	1.8
71,203	1.0	66,412	1.1	44,072	0.8	43,481	0.9	43,434	0.9	40,077	0.9
24,607	0.4	23,668	0.4	21,829	0.4	21,883	0.4	22,279	0.5	21,971	0.5
14,907	0.2	14,971	0.3	15,619	0.3	18,278	0.4	18,247	0.4	18,031	0.4
17,695	0.3	15,878	0.3	14,980	0.3	16,613	0.3	13,594	0.3	13,395	0.3
1,362	0.0	1,160	0.0	552	0.0	8,493	0.2	8,300	0.2	8,482	0.2
5,438	0.1	5,174	0.1	4,174	0.1	1,855	0.0	2,169	0.0	2,072	0.0
920	0.0	815	0.0	754	0.0	621	0.0	653	0.0	610	0.0
4,336,662	64.5	3,814,378	63.9	3,279,025	62.5	3,077,713	61.3	2,845,953	60.1	2,639,214	60.2
131,037	1.9	96,261	1.6	88,017	1.7	115,634	2.3	108,547	2.3	110,401	2.5
32,461	0.5	28,213	0.5	20,121	0.4	19,620	0.4	21,431	0.5	20,959	0.5
26,874	0.4	18,465	0.3	16,679	0.3	16,574	0.3	47,881	1.0	71,597	1.6
190,372	2.8	142,939	2.4	124,817	2.4	151,828	3.0	177,859	3.8	202,957	4.6
4,527,034	67.3	3,957,317	66.3	3,403,842	64.9	3,229,541	64.3	3,023,812	63.9	2,842,171	64.8
1,321,335	19.6	1,220,266	20.4	1,092,402	20.8	1,053,886	21.0	1,144,880	24.2	1,015,349	23.1
160,829	2.4	153,977	2.6	141,048	2.7	144,680	2.9	41,014	0.9	105,259	2.4
239,457	3.6	193,997	3.2	185,315	3.5	197,796	3.9	188,462	4.0	135,938	3.1
304,580	4.5	286,768	4.8	294,665	5.6	159,623	3.2	120,075	2.5	33,160	0.8
-	-	-	-	-	-	-	-	-	-	-	-
173,837	2.6	158,261	2.7	133,343	2.5	235,158	4.7	216,040	4.5	253,890	5.8
2,200,038	32.7	2,013,269	33.7	1,846,773	35.1	1,791,143	35.7	1,710,471	36.1	1,543,596	35.2
$ 6,727,072	100.0	$ 5,970,586	100.0	$ 5,250,615	100.0	$ 5,020,684	100.0	$ 4,734,283	100.0	$ 4,385,767	100.0

EXPENDITURES BY FUNCTION AND OBJECT (BUDGETARY BASIS) GENERAL FUND

For the Fiscal Years 1980-1989

(Expressed in Thousands)

	Fiscal Years							
	1989		1988		1987		1986	
	Amount	%	Amount	%	Amount	%	Amount	%
Expenditures by Function								
General Government	$ 214,315	2.2	$ 190,037	2.2	$ 161,614	2.0	$ 150,466	2.0
Public Safety and Regulation	301,427	3.2	272,966	3.2	246,198	3.1	213,344	2.9
Corrections	319,888	3.4	276,010	3.2	254,287	3.2	233,125	3.2
Education	5,090,269	53.7	4,682,442	54.8	4,251,538	53.9	3,984,516	54.3
Transportation	5,878	0.1	5,262	0.1	6,262	0.1	5,217	0.1
Health, Welfare, and Rehabilitation	2,852,235	30.1	2,494,954	29.2	2,270,393	28.8	2,080,131	28.3
Resource Development and Preservation	311,305	3.3	325,720	3.8	291,083	3.7	299,297	4.1
Agriculture	55,215	0.6	50,838	0.6	49,303	0.6	46,582	0.6
Debt Service	71,636	0.7	73,923	0.9	63,949	0.8	73,481	1.0
Capital Outlay	258,659	2.7	173,020	2.0	297,667	3.8	253,503	3.5
Total Expenditures	$ 9,480,827	100.0	$ 8,545,172	100.0	$ 7,892,294	100.0	$ 7,339,662	100.0
Expenditures by Object								
Personal Services	$ 2,304,718	24.3	$ 2,127,224	24.9	$ 1,954,395	24.8	$ 1,811,738	24.7
Supplies and Materials	156,692	1.7	150,417	1.8	137,449	1.7	132,042	1.8
Current Obligations	265,370	2.8	240,192	2.8	226,833	2.9	217,886	3.0
Fixed Charges	67,956	0.7	61,546	0.7	67,447	0.9	59,902	0.8
Capital Outlay	114,089	1.2	129,779	1.5	112,223	1.4	100,855	1.4
Grants, State Aid and Subsidies	5,787,210	61.0	5,166,172	60.5	4,663,840	59.1	4,345,594	59.2
Debt Service	123	0.0	120	0.0	88	0.0	73,578	1.0
Other	784,669	8.3	669,722	7.8	730,019	9.2	598,067	8.1
Total Expenditures	$ 9,480,827	100.0	$ 8,545,172	100.0	$ 7,892,294	100.0	$ 7,339,662	100.0

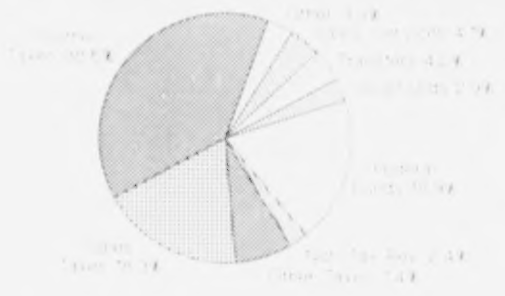
Table 3

Ended June 30

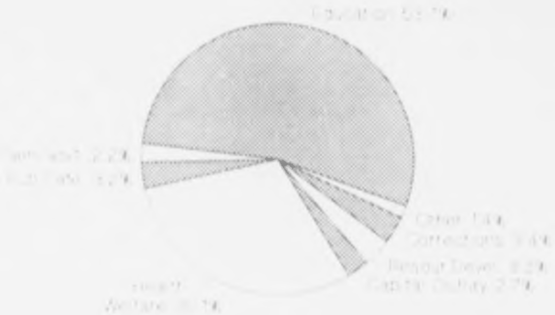
1985		1984		1983		1982		1981		1980	
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
$ 142,980	2.2	$ 123,707	2.1	$ 130,636	2.5	$ 120,001	2.4	$ 108,098	2.2	$ 87,367	2.0
203,036	3.1	176,281	3.1	153,179	2.9	147,069	2.9	140,365	2.9	130,815	3.1
215,359	3.3	192,744	3.3	174,221	3.3	158,065	3.1	146,535	3.0	124,963	2.9
3,535,244	53.5	3,087,934	53.3	2,840,133	53.7	2,808,875	55.4	2,634,316	54.2	2,276,059	53.1
4,957	0.1	30,756	0.5	4,738	0.1	5,057	0.1	5,066	0.1	5,057	0.1
1,894,880	28.7	1,781,285	30.8	1,615,481	30.5	1,536,124	30.3	1,425,408	29.3	1,296,727	30.2
274,097	4.1	219,091	3.8	194,997	3.7	167,056	3.3	207,981	4.3	199,033	4.6
41,396	0.6	37,907	0.7	34,717	0.7	33,507	0.7	32,484	0.7	29,932	0.7
76,077	1.2	79,174	1.4	74,886	1.4	61,858	1.2	60,231	1.2	53,915	1.3
212,535	3.2	59,782	1.0	65,772	1.2	30,861	0.6	104,141	2.1	84,379	2.0
$ 6,600,561	100.0	$ 5,788,661	100.0	$ 5,288,760	100.0	$ 5,068,473	100.0	$ 4,864,625	100.0	$ 4,288,247	100.0

1985		1984		1983		1982		1981		1980	
$ 1,627,621	24.7	$ 1,443,467	24.9	$ 1,345,126	25.5	$ 1,283,428	25.3	$ 1,204,382	24.8	$ 1,044,482	24.3
124,872	1.9	117,190	2.0	107,198	2.0	103,552	2.0	98,354	2.0	107,864	2.5
208,804	3.2	195,542	3.4	179,463	3.4	161,015	3.2	150,846	3.1	122,266	2.8
62,653	0.9	55,756	1.0	69,432	1.3	58,901	1.2	47,846	1.0	38,806	0.9
94,118	1.4	79,332	1.4	56,877	1.1	53,364	1.1	42,344	0.9	41,839	1.0
3,888,172	58.9	3,482,426	60.1	3,185,662	60.2	3,078,154	60.7	3,044,676	62.6	2,593,041	60.5
76,802	1.2	80,564	1.4	75,157	1.4	62,025	1.2	60,344	1.2	54,263	1.3
517,519	7.8	334,384	5.8	269,845	5.1	268,034	5.3	215,833	4.4	285,686	6.7
$ 6,600,561	100.0	$ 5,788,661	100.0	$ 5,288,760	100.0	$ 5,068,473	100.0	$ 4,864,625	100.0	$ 4,288,247	100.0

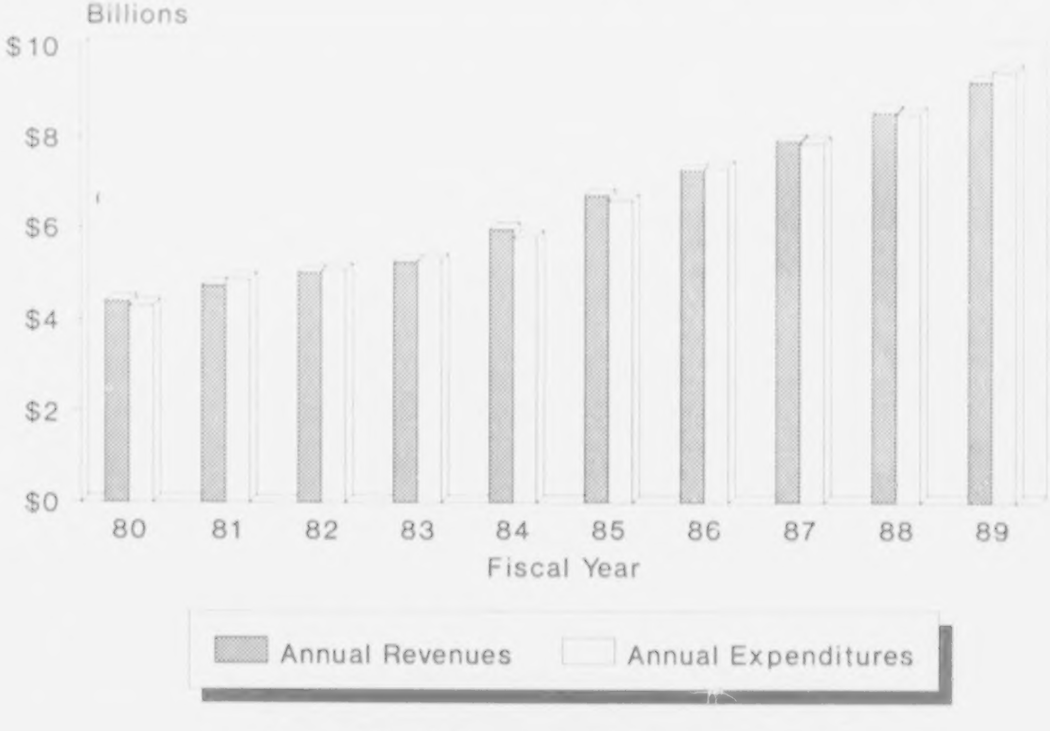
GENERAL FUND
REVENUES AND EXPENDITURES (BUDGETARY BASIS)
GRAPHS



General Fund Revenues by Source
For the Year Ended June 30, 1989
(From Table 2)

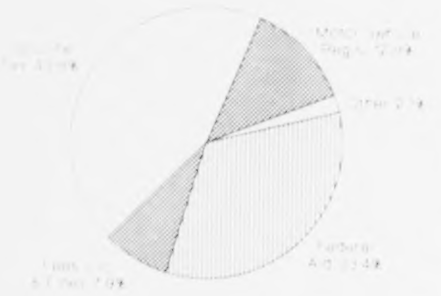


General Fund Expenditures by Function
For the Year Ended June 30, 1989
(From Table 3)

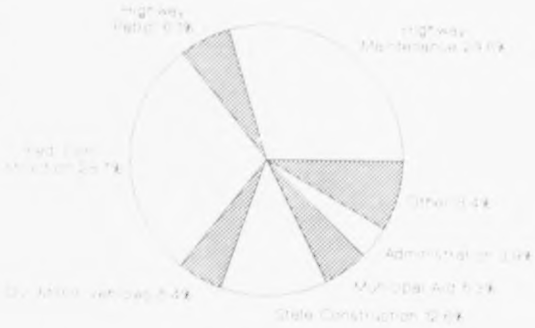


General Fund Revenues and Expenditures
For the Years 1980 to 1989
(From Tables 2 and 3)

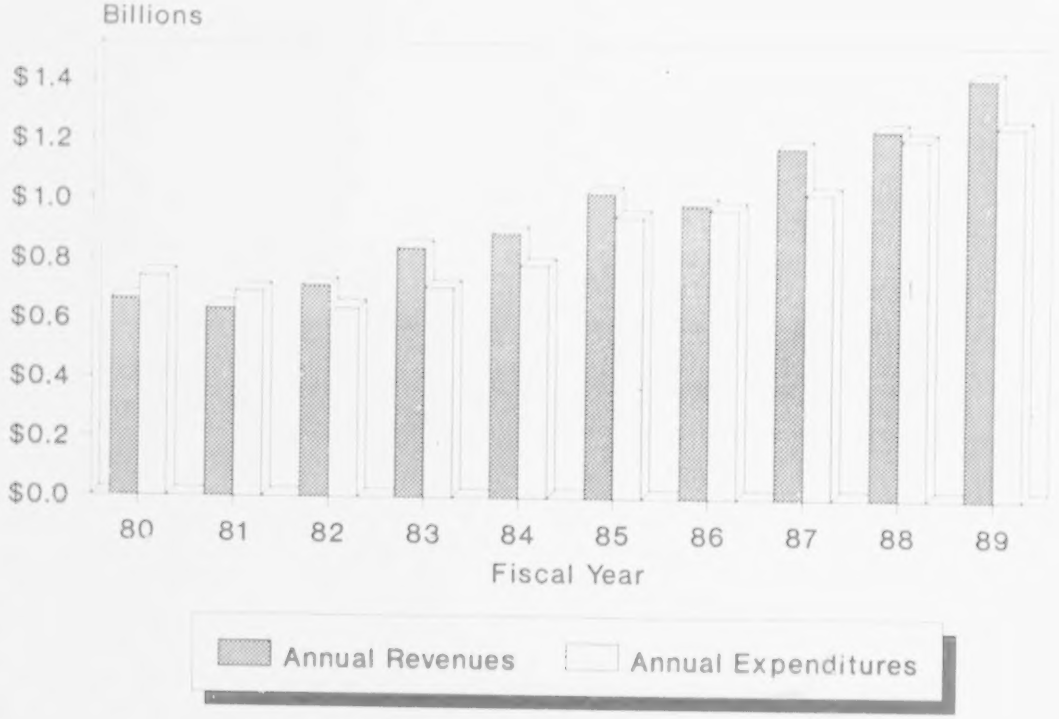
HIGHWAY FUND
REVENUES AND EXPENDITURES (BUDGETARY BASIS)
GRAPHS



Highway Fund Revenues by Source
For the Year Ended June 30, 1989
(From Table 4)



Highway Fund Expenditures by Function
For the Year Ended June 30, 1989
(From Table 5)



Highway Fund Revenues and Expenditures
For the Years 1980 to 1989
(From Tables 4 and 5)

REVENUES BY SOURCE (BUDGETARY BASIS) HIGHWAY FUND

For the Fiscal Years 1980-1989
(Expressed in Thousands)

	Fiscal Years							
	1989		1988		1987		1986	
	Amount	%	Amount	%	Amount	%	Amount	%
State Revenues:								
Motor Vehicle Registration	$ 181,894	12.8	$ 177,247	14.3	$ 168,618	14.3	$ 161,795	16.4
Gasoline Tax	619,740	43.8	612,227	49.3	526,823	44.6	387,251	39.3
Fees, Licenses, Fines and Other	111,994	7.9	107,134	8.6	115,942	9.8	98,861	10.0
Total State Revenues	913,628	64.5	896,608	72.2	811,383	68.7	647,907	65.7
Federal Aid Participation:								
Highway Construction	459,848	32.5	297,185	24.0	326,496	27.7	308,255	31.2
Other	12,878	0.9	14,536	1.2	13,654	1.1	12,538	1.3
Total Federal Aid Participation	472,726	33.4	311,721	25.2	340,150	28.8	320,793	32.5
Local and State Participation:								
Cities' and Towns' Participation	13,378	0.9	13,694	1.1	11,082	0.9	3,844	0.4
Property Owners' Participation	4,345	0.3	5,114	0.4	3,586	0.3	2,290	0.2
State Aid	5,762	0.4	5,145	0.4	6,145	0.5	5,100	0.5
Total Local and State Participation	23,485	1.6	23,953	1.9	20,813	1.7	11,234	1.1
Total Revenue	1,409,839	99.5	1,232,282	99.3	1,172,346	99.2	979,934	99.3
Departmental Receipts	7,552	0.5	6,810	0.5	8,861	0.8	6,643	0.7
Transfer from Equipment Fund	-	-	1,601	0.2	-	-	-	-
Total Funds Available	$ 1,417,391	100.0	$ 1,240,693	100.0	$ 1,181,207	100.0	$ 986,577	100.0

Table 4

Ended June 30

1985		1984		1983		1982		1981		1980	
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
$ 158,297	15.4	$ 148,250	16.7	$ 115,849	13.8	$ 106,992	15.0	$ 104,911	16.6	$ 101,593	15.2
371,649	36.3	364,004	41.0	346,576	41.4	339,394	47.7	250,077	39.5	261,174	39.3
101,916	10.0	120,861	13.6	82,884	9.9	75,608	10.7	47,452	7.5	50,891	7.7
631,862	61.7	633,115	71.3	545,309	65.1	521,994	73.4	402,440	63.6	413,658	62.2
357,525	34.9	230,877	26.0	264,392	31.6	163,111	22.9	203,070	32.1	225,044	33.8
13,035	1.3	6,086	0.7	12,473	1.5	13,535	1.9	14,089	2.2	14,323	2.2
370,560	36.2	236,963	26.7	276,865	33.1	176,646	24.8	217,159	34.3	239,367	36.0
3,612	0.4	6,374	0.7	2,890	0.3	827	0.1	1,787	0.3	1,084	0.2
2,293	0.2	2,091	0.2	1,305	0.2	1,738	0.2	1,704	0.3	1,322	0.2
4,840	0.5	4,840	0.6	4,621	0.6	4,490	0.7	4,873	0.8	5,421	0.8
10,745	1.1	13,305	1.5	8,816	1.1	7,055	1.0	8,364	1.4	7,827	1.2
1,013,167	99.0	883,383	99.5	830,990	99.3	705,695	99.2	627,963	99.3	660,852	99.4
6,303	0.6	4,579	0.5	5,749	0.7	5,524	0.8	4,666	0.7	3,836	0.6
4,600	0.4	-	-	-	-	-	-	-	-	-	-
$ 1,024,070	100.0	$ 887,962	100.0	$ 836,739	100.0	$ 711,219	100.0	$ 632,629	100.0	$ 664,688	100.0

EXPENDITURES BY FUNCTION (BUDGETARY BASIS) HIGHWAY FUND

For the Fiscal Years 1980-1989

(Expressed in Thousands)

	Fiscal Years							
	1989		1988		1987		1986	
	Amount	%	Amount	%	Amount	%	Amount	%
Highway Patrol (Transfers of Highway funds to Department of Crime Control and Public Safety for operation of N.C. Highway Patrol)	$ 76,870	6.1	$ 73,413	6.1	$ 66,580	6.5	$ 60,548	6.3
Driver Training (Transfers of Highway funds to Department of Public Instruction for operation of Driver Education program. [1]	–	-	-	-	23,533	2.3	22,536	2.3
Department of Transportation								
General Administration	21,482	1.7	18,643	1.5	16,287	1.6	16,332	1.7
Operations Administration	27,360	2.2	25,365	2.1	24,175	2.4	24,084	2.5
Division of Motor Vehicles	67,504	5.4	64,494	5.3	55,565	5.4	53,537	5.5
State Highway Maintenance	370,881	29.6	332,541	27.5	284,967	27.8	278,125	28.6
State Highway Construction	156,222	12.6	142,580	11.8	76,867	7.5	76,479	7.9
Capital Improvements	15,653	1.2	8,993	0.8	2,775	0.3	4,866	0.5
Federal Aid-Highway Construction	359,976	28.7	391,027	32.4	374,518	36.6	352,752	36.3
State Aid - Municipalities	66,660	5.3	63,716	5.3	54,703	5.3	47,168	4.9
Other	90,451	7.2	86,856	7.2	44,303	4.3	34,378	3.5
Total Expenditures	$ 1,253,059	100.0	$ 1,207,628	100.0	$ 1,024,273	100.0	$ 970,805	100.0

[1] - Driver education program was transferred to the Department of Public Instruction in 1988.

Table 5

Ended June 30											
1985		1984		1983		1982		1981		1980	
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
$ 57,555	6.1	$ 49,358	6.3	$ 47,782	6.8	$ 43,412	6.8	$ 41,655	6.0	$ 36,901	5.0
18,363	1.9	14,753	1.9	-	-	-	-	-	-	-	-
17,633	1.9	14,820	1.9	12,813	1.8	12,456	2.0	12,310	1.8	10,818	1.4
22,652	2.4	20,426	2.6	16,775	2.4	19,673	3.1	22,084	3.2	20,255	2.7
48,629	5.1	39,564	5.1	31,392	4.5	30,532	4.8	35,105	5.1	31,574	4.3
303,273	32.1	283,659	36.4	262,234	37.2	225,428	35.4	172,470	24.9	188,197	25.4
79,674	8.4	58,759	7.5	54,426	7.7	40,830	6.4	52,842	7.6	70,168	9.5
5,159	0.5	3,756	0.5	1,758	0.2	1,383	0.2	3,370	0.5	1,919	0.3
318,767	33.7	221,543	28.4	199,334	28.2	192,654	30.2	261,987	37.9	292,935	39.6
45,443	4.8	43,244	5.6	43,102	6.1	31,351	4.9	32,573	4.7	34,646	4.7
29,058	3.1	29,626	3.8	35,789	5.1	39,575	6.2	57,302	8.3	52,728	7.1
$ 946,206	100.0	$ 779,508	100.0	$ 705,405	100.0	$ 637,294	100.0	$ 691,698	100.0	$ 740,141	100.0

TOTAL NUMBER OF STATE GOVERNMENT PERMANENT POSITIONS FUNDED IN THE STATE BUDGET BY AGENCY

Table 6

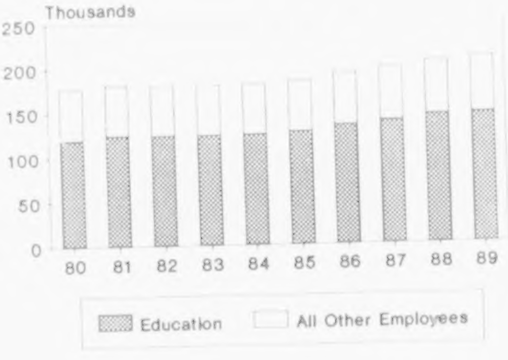
For the Fiscal Years 1980-1989

State Agency		Fiscal Years Ended June 30									
		1989	1988	1987	1986	1985	1984	1983	1982	1981	1980
Education:											
Public Education	[1]	**105,244**	103,223	98,333	94,973	90,123	88,366	88,241	88,978	89,886	86,726
Higher Education		**30,479**	30,986	29,435	28,560	27,565	26,968	26,354	25,884	25,638	25,387
Community Colleges		**9,626**	9,251	9,945	9,934	8,866	8,912	8,716	8,438	8,216	7,363
Total Education		**145,349**	143,460	137,713	133,467	126,554	124,246	123,311	123,300	123,740	119,476
Human Resources		**16,823**	18,028	17,951	17,765	17,768	17,665	17,913	18,166	18,585	18,582
Correction		**11,209**	10,044	8,777	8,191	7,861	7,750	7,510	6,778	6,804	6,764
Transportation and Highway Patrol		**15,060**	14,783	15,352	14,777	14,541	14,092	14,105	14,689	15,129	15,400
Judicial		**4,271**	4,093	4,004	3,852	3,670	3,522	3,508	3,502	3,438	3,396
Justice		**978**	962	930	889	825	822	819	829	828	773
Other		**13,991**	12,467	12,390	12,742	12,371	11,923	11,974	12,369	12,417	12,107
Total Positions		**207,681**	203,837	197,117	191,683	183,590	180,020	179,140	179,633	180,941	176,498

[1] - This figure represents elementary and secondary school teachers. Public Education receives funding by State appropriation.

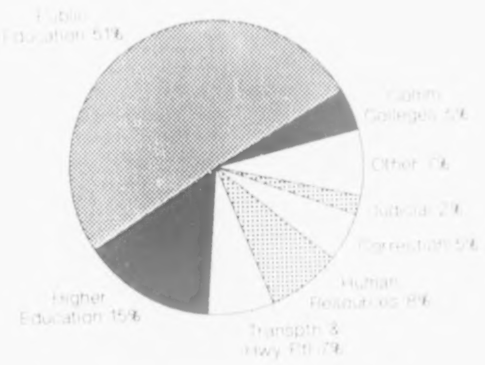
State Government Permanent Positions

For the Years 1980 to 1989



Distribution of Employees by Agency

As of June 30, 1989



Source: North Carolina Office of State Budget and Management

COMPUTATION OF LEGAL DEBT LIMIT

June 30, 1989 Table 7

(Expressed in Thousands)

General Obligation Bonds Authorized		$ 1,793,745
Allowable Increase in General Obligation Bonds by General Assembly for Lawful Purposes:		
1989-91 Biennium	$ 76,714	
1987-89 Biennium	30,333	
Total Allowable Increase		107,047
Legal Debt Limit		1,900,792
Less Bonds Issued		(1,793,745)
Unused Allowable Debt		$ 107,047

The limitations on State Debt and Bond Issues are contained in the State Constitution, Article 5, Section 3. This section restricts the General Assembly from contracting debts secured by a pledge of the faith and credit of the State, unless approved by a majority of the qualified voters of the State except for:

1. To fund or refund a valid existing debt;
2. To supply an unforeseen deficiency in the revenue;
3. To borrow in anticipation of the collection of taxes due and payable within the current fiscal year to an amount not exceeding 50 percent of such taxes;
4. To suppress riots or insurrections, or to repel invasions;
5. To meet emergencies immediately threatening the public health or safety, as conclusively determined in writing by the Governor;
6. For any other lawful purposes, to the extent of two-thirds of the amount by which the State's outstanding indebtedness shall have been reduced during the next preceding biennium.

Below is a calculation of the allowable increase in General Obligation Bonds by the General Assembly for lawful purposes without voter approval:

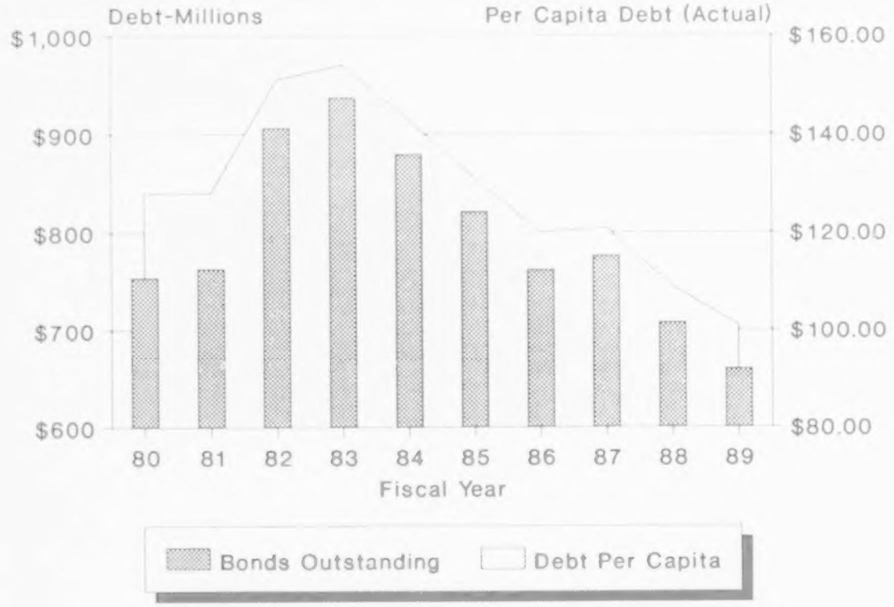
	General Obligation Bonds						Allowable Increase	
Preceding Biennium	Beginning Balance	Issues	Refunded	Repayment	Ending Balance	Decrease (Increase)	(2/3 of Debt Decrease) Amount	Biennium
1987-89	775,500	20,499	-	(135,570)	660,429	115,071	76,714	1989-91
1985-87	821,000	506,000	(460,000)	(91,500)	775,500	45,500	30,333	1987-89
1983-85	937,400	-	-	(116,400)	821,000	116,400	77,600	1985-87
1981-83	763,200	280,000	-	(105,800)	937,400	(174,200)	N/A	1983-85
1979-81	674,300	187,250	-	(98,350)	763,200	(88,900)	N/A	1981-83

GENERAL OBLIGATION BONDS DEBT RATIOS

For the Fiscal Years 1980-1989 Table 8

Fiscal Year Ended June 30	Debt Per Capita			Annual Debt Service To General Expenditures		
	Population	General Obligation Bonds Outstanding	Amount	Debt Service (Principal & Interest)	Total General Expenditures	Ratio
1989	6,559,406	$660,429,000	$100.68	$ 110,980,000	$ 11,213,453,000	**0.99%**
1988	6,487,438	$708,160,000	$109.16	$ 112,067,000	$ 10,016,501,000	**1.12%**
1987	6,407,498	$775,500,000	$121.03	$ 78,567,000	$ 9,156,272,000	**0.86%**
1986	6,324,942	$762,000,000	$120.48	$ 111,927,000	$ 8,539,936,000	**1.31%**
1985	6,255,914	$821,000,000	$131.24	$ 114,479,000	$ 7,741,168,000	**1.48%**
1984	6,165,311	$879,200,000	$142.60	$ 118,072,000	$ 6,745,366,000	**1.75%**
1983	6,076,693	$937,400,000	$154.26	$ 113,916,000	$ 6,179,508,000	**1.84%**
1982	6,016,147	$905,700,000	$150.54	$ 91,908,000	$ 5,897,329,000	**1.56%**
1981	5,954,906	$763,200,000	$128.16	$ 104,332,000	$ 5,804,360,000	**1.80%**
1980	5,880,095	$753,750,000	$128.19	$ 83,810,000	$ 5,316,805,000	**1.58%**

Long-Term Debt Per Capita



Source: Population - U.S. Department of Commerce, Bureau of the Census
N.C. Office of State Budget and Management

REVENUE BOND COVERAGE

For the Fiscal Years 1983-1989 Table 9

(Expressed in Thousands)

Fiscal Year Ended June 30	Gross Revenues [1]	Direct Operating Expenses [1]	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage [2]
				Principal	Interest	Total	
			General Long-Term Obligations Account Group				
1989	$ 379	$ -	$ 379	$ 550	$ 311	$ 861	**.44**
1988	1,842	301	1,541	683	430	1,113	**1.38**
1987	1,695	243	1,452	572	477	1,049	**1.38**
1986	1,614	263	1,351	562	528	1,090	**1.24**
1985	1,689	233	1,456	502	591	1,093	**1.33**
1984	1,927	167	1,760	350	613	963	**1.83**
1983	969	-	969	-	254	254	**3.81**
			Enterprise Funds [3]				
1989	107,755	8,758	98,997	17,869	79,767	97,636	**1.01**
1988	93,410	7,132	86,278	16,702	61,925	78,627	**1.10**
1987	96,940	6,660	90,280	14,560	68,945	83,505	**1.08**
1986	98,167	5,909	92,258	11,682	65,555	77,237	**1.19**
1985	70,169	4,373	65,796	6,910	51,031	57,941	**1.14**
1984	51,669	4,088	47,581	3,772	31,545	35,317	**1.35**
1983	28,691	2,973	25,718	2,899	19,952	22,851	**1.13**
			Internal Service Funds				
1989 [5]	-	-	-	-	-	-	**-**
1988	842	408	434	60	99	159	**2.73**
1987	803	365	438	55	103	158	**2.77**
1986	722	281	441	55	106	161	**2.74**
1985	704	256	448	55	109	164	**2.73**
1984	636	223	413	50	112	162	**2.55**
1983	647	232	415	45	114	159	**2.61**
			Nonexpendable Trust Funds [3]				
1989	-	-	-	-	-	-	**-**
1988 [4]	-	-	-	-	-	-	**-**
1987	18,726	894	17,832	5,850	3,844	9,694	**1.84**
1986	22,195	1,111	21,084	6,850	4,341	11,191	**1.88**
1985	23,178	1,264	21,914	6,850	5,660	12,510	**1.75**
1984	23,286	1,295	21,991	6,850	5,952	12,802	**1.72**
1983	21,336	1,647	19,689	6,355	8,318	14,673	**1.34**
			University Funds				
1989	154,598	116,870	37,728	5,115	15,968	21,083	**1.79**
1988	143,495	104,868	38,627	5,211	15,614	20,825	**1.85**
1987	126,507	95,518	30,989	8,283	13,554	21,837	**1.42**
1986	89,930	68,305	21,625	4,033	6,713	10,746	**2.01**
1985	82,348	63,441	18,907	4,030	6,669	10,699	**1.77**
1984	76,384	57,264	19,120	3,535	6,395	9,930	**1.93**
1983	69,085	54,415	14,670	3,893	5,765	9,658	**1.52**

[1] - Represents actual fund receipts and disbursements securing the applicable bonds.

[2] - Ideally, the coverage number would be 1.00 or higher, indicating that Net Revenues Available exceeds Debt Service Requirements.

[3] - Actual amounts paid differ from scheduled debt service requirements presented above.

[4] - These bonds were paid in full in 1988.

[5] - These bonds were paid in full in 1989.

ASSESSED VALUE OF REAL PROPERTY, TANGIBLE PERSONAL PROPERTY, AND PUBLIC SERVICE COMPANIES

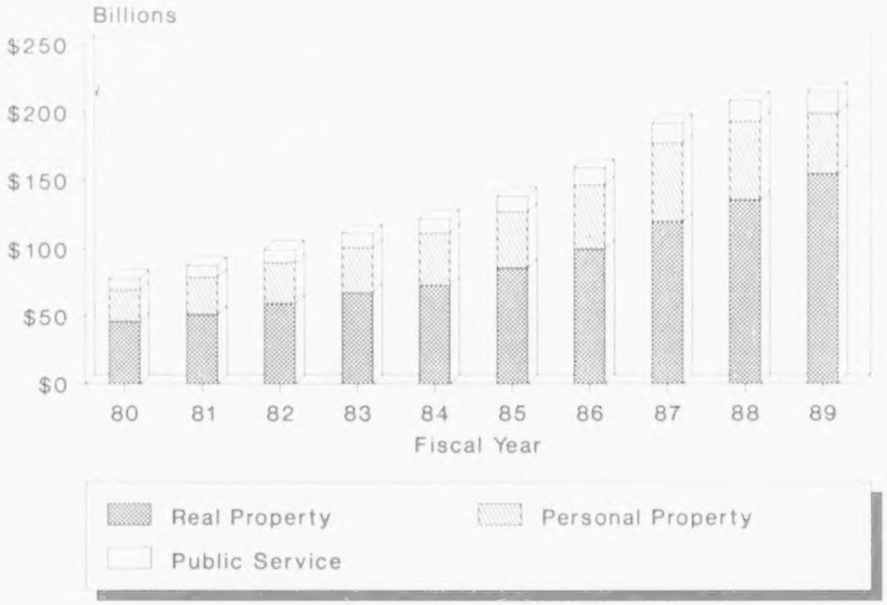
For the Years 1980-1989 Table 10

(Expressed in Whole Dollars)

For the Years	Assessed Value at January 1			
	Real Property	Personal Property	Public Service Companies	Total
1989	$ 154,815,470,266	$ 44,173,378,142	$ 15,923,293,458	**$ 214,912,141,866**
1988	135,671,300,372	57,705,370,847	15,004,816,111	**208,381,487,330**
1987	119,820,416,998	57,413,010,754	14,692,714,720	**191,926,142,472**
1986	99,850,538,664	46,693,841,533	12,365,634,320	**158,910,014,517**
1985	85,972,825,736	41,000,251,830	11,440,623,819	**138,413,701,385**
1984	73,206,272,661	38,317,923,513	10,733,729,219	**122,257,925,393**
1983	67,449,128,525	33,553,596,924	10,406,803,732	**111,409,529,181**
1982	59,678,753,905	30,096,636,217	9,709,847,057	**99,485,237,179**
1981	51,397,236,733	27,534,767,412	8,694,018,304	**87,626,022,449**
1980	46,048,133,822	24,191,210,411	7,869,912,535	**78,109,256,768**

The State does not levy an ad valorem tax on real property and tangible personal property. The only State-levied property tax property tax is on intangible personal property. After January 1, 1988, inventories were exempt from property taxes.
Counties are required by statute to assess property at 100% of appraised value.

Statewide Assessed Property Values
Ten-Year Comparison



Source: Compiled by the Department of Revenue from reports submitted by counties and municipalities.

SCHEDULE OF BANK AND SAVINGS AND LOAN DEPOSITS OF INSTITUTIONS LOCATED IN NORTH CAROLINA

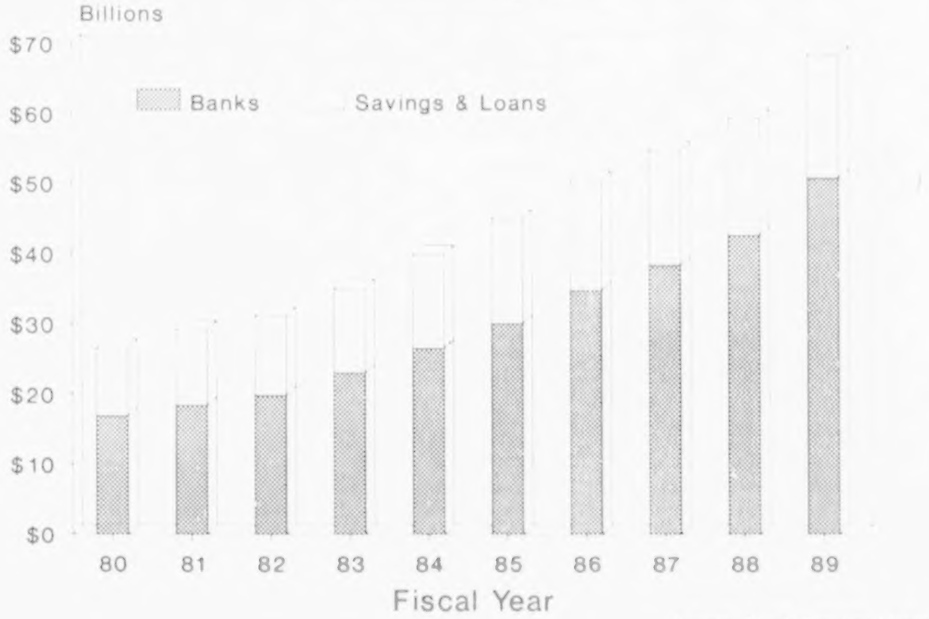
For the Years 1980-1989 Table 11

(Expressed in Thousands)

Banks			
As of June 30	Chartered		Total Deposits
	State	National	
1989	$ 13,741,263	$ 36,977,970	$ 50,719,233
1988	12,177,522	30,330,695	42,508,217
1987	10,884,948	27,445,346	38,330,294
1986	9,513,909	25,259,970	34,773,879
1985	10,247,786	19,781,193	30,028,979
1984	9,282,068	17,181,045	26,463,113
1983	8,769,560	14,291,821	23,061,381
1982	7,436,015	12,321,599	19,757,614
1981	6,759,519	11,661,310	18,420,829
1980	6,295,124	10,582,361	16,877,485

Savings and Loans			
As of Dec. 31	Chartered		Total Deposits
	State	Federal	
1988	$ 5,720,556	$ 11,793,232	$ 17,513,788
1987	5,649,780	11,020,472	16,670,252
1986	5,882,096	10,566,483	16,448,579
1985	5,694,939	10,010,104	15,705,043
1984	5,601,745	9,231,293	14,833,038
1983	5,008,477	8,330,292	13,338,769
1982	4,556,810	7,482,772	12,039,582
1981	4,645,468	6,640,450	11,285,918
1980	5,466,766	5,370,010	10,836,776
1979	5,632,912	3,951,313	9,584,225

Bank and Savings and Loan Deposits
Ten-Year Comparison



Source: North Carolina Department of Commerce

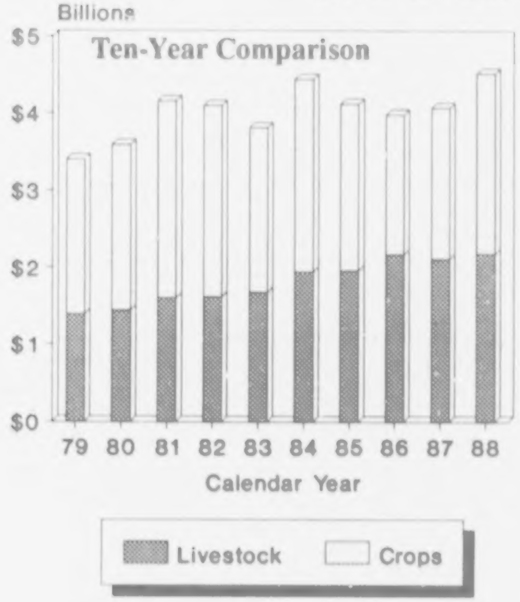
CASH RECEIPTS FROM FARMING BY COMMODITIES

For the Calendar Years 1979-1988 Table 12

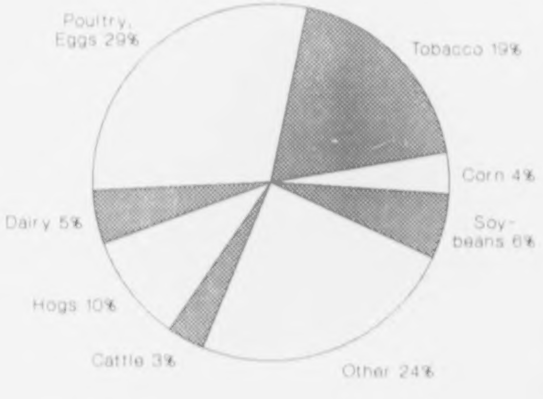
(Expressed in Millions)

	Livestock and Related Products						Crops					
Year	Poultry and Eggs	Dairy Products	Hogs	Cattle	Other Livestock and Products	Total Livestock and Products	Tobacco	Soybeans	Corn	Other Crops	Total Crops	Total Livestock and Crops
1988	$ 1,312.5	$ 219.7	$ 444.2	$ 152.9	$ 49.6	$ 2,178.9	$ 857.9	$ 268.4	$ 170.4	$ 1,047.1	$ 2,343.8	**$ 4,522.7**
1987	1,152.0	222.6	463.4	190.7	52.3	2,081.0	730.1	184.4	106.5	913.1	1,934.1	**4,015.1**
1986	1,289.9	230.7	437.9	168.9	43.6	2,171.0	698.8	173.4	174.5	759.3	1,806.0	**3,977.0**
1985	1,125.5	246.9	387.5	154.4	43.4	1,957.7	936.2	212.2	272.9	736.0	2,157.3	**4,115.0**
1984	1,172.7	238.8	380.9	104.5	41.5	1,938.4	1,054.2	274.8	320.4	866.1	2,515.5	**4,453.9**
1983	907.9	245.1	378.1	106.7	41.3	1,679.1	1,019.8	257.8	187.3	666.9	2,131.8	**3,810.9**
1982	829.9	240.5	369.4	141.4	39.4	1,620.6	1,233.4	299.6	256.3	692.8	2,482.1	**4,102.7**
1981	863.3	239.6	357.6	125.7	18.0	1,604.2	1,296.0	274.9	253.3	731.5	2,555.7	**4,159.9**
1980	783.8	220.7	316.8	112.7	9.9	1,443.9	1,112.9	242.1	244.4	549.3	2,148.7	**3,592.6**
1979	756.1	192.4	300.3	132.3	9.2	1,390.3	894.7	301.7	276.3	538.2	2,010.9	**3,401.2**

CASH RECEIPTS FROM FARMING



Calendar Year 1988



Source: North Carolina Crop and Livestock Reporting Service (data for 1989 is not available.)

MAJOR PRIVATE EMPLOYERS

June 30, 1989 Table 13

The State's largest major private employers (ranked by number of employees) as of June 30, 1989 are:

1989 Rank	Employer	Type of Business	Range of Number Employed
1	Duke University	Higher education, medical center	19,000 - 19,999
2	International Business Machines Corporation	Computers	16,000 - 16,999
3	Burlington Industries, Inc.	Textiles	15,000 - 15,999
4	RJR Nabisco, Inc.	Tobacco and food products	13,000 - 13,999
5	Fieldcrest Cannon, Inc.	Textiles	13,000 - 13,999
6	Duke Power Company	Utility	12,000 - 12,999
7	USAir (merged with Piedmont Aviation, Inc.)	Aviation	12,000 - 12,999
8	Rose's Stores, Inc.	Department stores	10,000 - 10,999
9	Sears Roebuck Company	Department stores	10,000 - 10,999
10	Winn-Dixie Charlotte, Inc.	Grocery	9,000 - 9,999
11	A T & T Technologies, Inc.	Communications	9,000 - 9,999
12	K-Mart Corporation	Department stores	8,000 - 8,999
13	First Union Corporation	Financial services	8,000 - 8,999
14	Wachovia Bank & Trust Company, N.A.	Financial services	8,000 - 8,999
15	Carolina Power & Light Company	Utility	8,000 - 8,999
16	Harris Teeter Supermarkets, Inc.	Grocery	8,000 - 8,999
17	Food Lion, Inc.	Grocery	7,000 - 7,999
18	Southern Bell Telephone & Telegraph Company, Inc.	Communications	7,000 - 7,999
19	Northern Telecom, Inc.	Communications	7,000 - 7,999
20	Collins & Aikman Corporation	Textiles	7,000 - 7,999
21	Cone Mills Corporation	Textiles	6,000 - 6,999
22	E.I. du Pont de Nemours & Company	Chemicals	6,000 - 6,999
23	Broyhill Furniture Industries	Furniture manufacturing	6,000 - 6,999
24	General Electric Company, Inc.	Electronics	6,000 - 6,999
25	Thomasville Furniture	Furniture manufacturing	5,000 - 5,999

Source: Employment data compiled by the Office of the State Controller survey of the listed corporations.

TEN LARGEST NON-AGRICULTURAL INDUSTRIES BY NUMBER OF EMPLOYEES

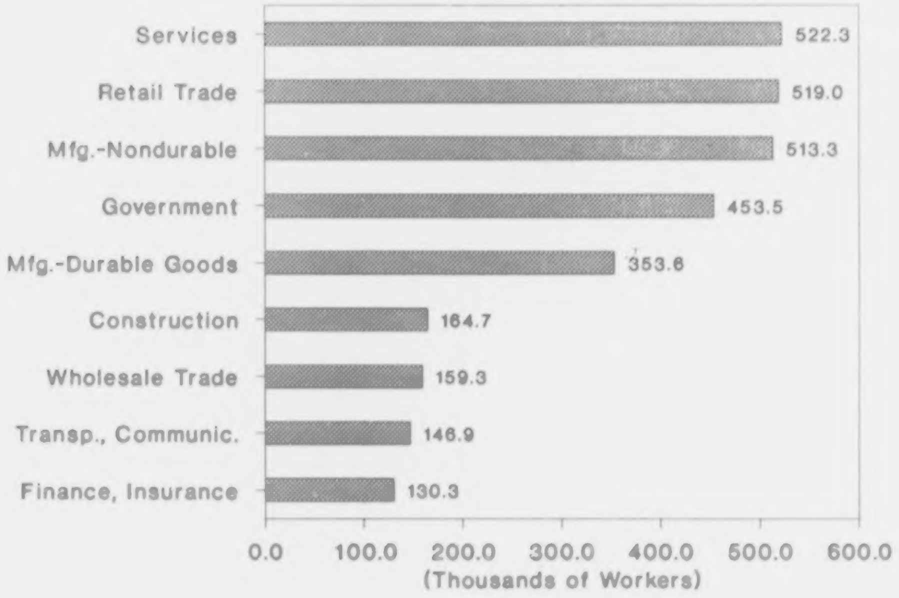
For the Years 1980-1988 Table 14

(Expressed in Thousands)

	1988	1987	1986	1985	1984	1983	1982	1981	1980
Manufacturing:									
Nondurable Goods	513.3	509.7	494.3	487.0	501.0	493.8	488.9	510.0	515.9
Durable Goods	353.6	346.3	338.5	341.6	334.6	302.3	293.3	310.7	304.1
Retail Trade	519.0	491.1	467.7	440.8	417.2	386.2	360.2	354.1	349.1
Services	522.3	488.8	456.3	428.7	399.3	370.4	357.9	353.0	341.3
Government	453.5	442.3	430.9	420.5	413.7	407.1	400.3	403.7	409.9
Contract Construction	164.7	159.9	155.2	149.2	132.6	112.4	106.8	115.6	118.7
Wholesale Trade	159.3	152.4	144.9	138.8	131.8	121.8	122.5	124.7	123.8
Transportation, Communications and Public Utilities	146.9	141.0	133.7	130.5	126.6	120.5	114.7	116.8	116.5
Finance, Insurance and Real Estate	130.3	126.2	117.9	109.4	103.8	100.4	97.8	98.1	95.5
Mining	4.8	4.9	4.8	4.8	4.6	4.3	4.6	4.9	5.2
Total Non-Agricultural Employment	2,967.7	2,862.6	2,744.2	2,651.3	2,565.2	2,419.2	2,347.0	2,391.6	2,380.0
Manufacturing	866.9	856.0	832.8	828.6	835.6	796.1	782.2	820.7	820.0
Non-Manufacturing	2,100.8	2,006.6	1,911.4	1,822.7	1,729.6	1,623.1	1,564.8	1,570.9	1,560.0

Number of Employees by Industry - 1988

(Non-Agricultural)



Source: North Carolina Employment Security Commission (data for 1989 is not available.)

SCHEDULE OF MISCELLANEOUS STATISTICS

As of June 30, 1989

Table 15

Adoption of State Constitution	1776, 1868, 1971
Form of Government	Executive, Legislative, Judicial
Land Area (Square Miles)	50,000 (31,999,760 acres)
Miles of Highway	76,728
State Police Protection:	
Number of Stations	57
Number of State Police	1,227
Higher Education:	
Community Colleges	
Number of Campuses	58
Number of Students (Average Annual Full Time Equivalent [FTE])	128,742
Number of Curriculum Instructors (Budgeted)	5,527
Universities	
Number of Campuses	16
Number of Regular Term Students (FTE)	116,788
Number of Regular Term Teaching Positions (FTE)	8,305
Recreation:	
Number of State Parks	33
Area of State Parks (Acres)	127,482
Area of State Forests (Acres)	256,723

Source:		
	Land Area	Department of Natural Resources and Community Development
	Miles of Highways	Department of Transportation
	State Police Protection	Department of Crime Control and Public Safety
	Higher Education - Community Colleges	Department of Community Colleges and Office of State Budget and Management
	Higher Education - Universities	Office of State Budget and Management
	Recreation	Department of Natural Resources and Community Development Department of Agriculture Department of Correction

SCHEDULE OF DEMOGRAPHIC DATA

For the Years 1950, 1960, 1970, 1980-1989

(Expressed in Whole Numbers)

	Population					[1]	Per Capita Income		[2]
Year	United States		Increase From Prior Period	North Carolina		Increase From Prior Period	United States	North Carolina	N.C. As A Percentage of U.S.
1989	248,255,000	[B]	1.00%	6,559,406	[C]	1.11%	$ 17,627	$ 15,391	87.31%
1988	245,807,000	[B]	0.98%	6,487,438	[D]	1.25%	16,489	14,304	86.75%
1987	243,419,000	[B]	0.96%	6,407,498	[D]	1.31%	15,472	13,353	86.30%
1986	241,107,000	[B]	0.99%	6,324,942	[D]	1.10%	14,596	12,453	85.32%
1985	238,736,000	[B]	0.96%	6,255,914	[D]	1.47%	13,896	11,664	83.94%
1984	236,477,000	[B]	0.94%	6,165,311	[D]	1.46%	13,114	10,999	83.87%
1983	234,284,000	[B]	0.99%	6,076,693	[D]	1.01%	12,098	9,987	82.55%
1982	231,996,000	[B]	1.03%	6,016,147	[D]	1.03%	11,481	9,284	80.86%
1981	229,637,000	[B]	1.36%	5,954,906	[D]	1.27%	10,949	8,878	81.09%
1980	226,546,000	[A]	11.13%	5,880,095	[A]	15.65%	9,919	7,999	80.64%
1970	203,849,000	[A]	13.26%	5,084,411	[A]	11.59%	4,051	3,236	79.88%
1960	179,979,000	[A]	18.51%	4,556,155	[A]	12.17%	2,254	1,615	71.65%
1950	151,868,000	[A]		4,061,929	[A]		1,496	1,037	69.32%

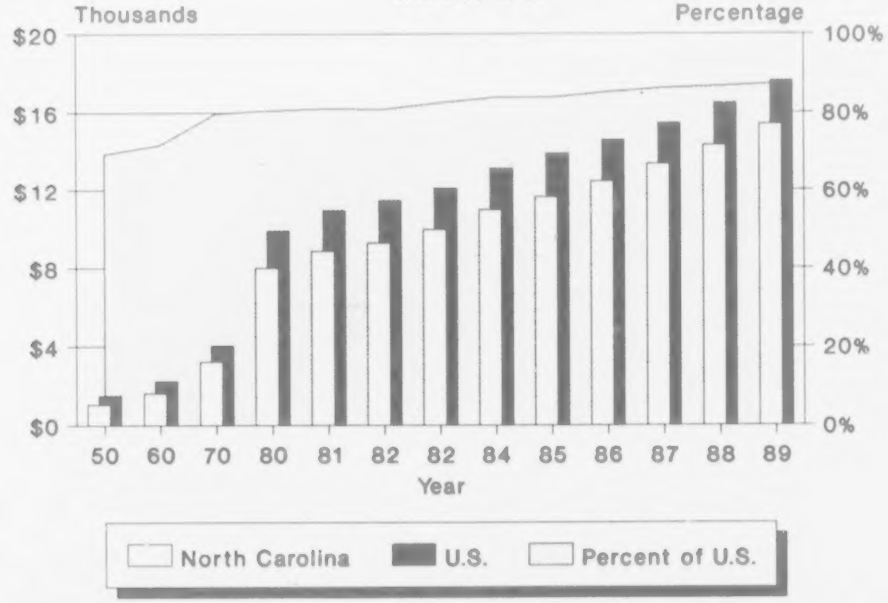
[A] - U.S. Census count - April 1 (1950 - 1980)

[B] - U.S. Census estimates - July 1 (1981 - 1989)

[C] - N.C. OSBM projection - July 1, 1989

[D] - N.C. OSBM estimate - July 1 (1981-1989)

Per Capita Income
North Carolina vs. United States
1950 to 1989

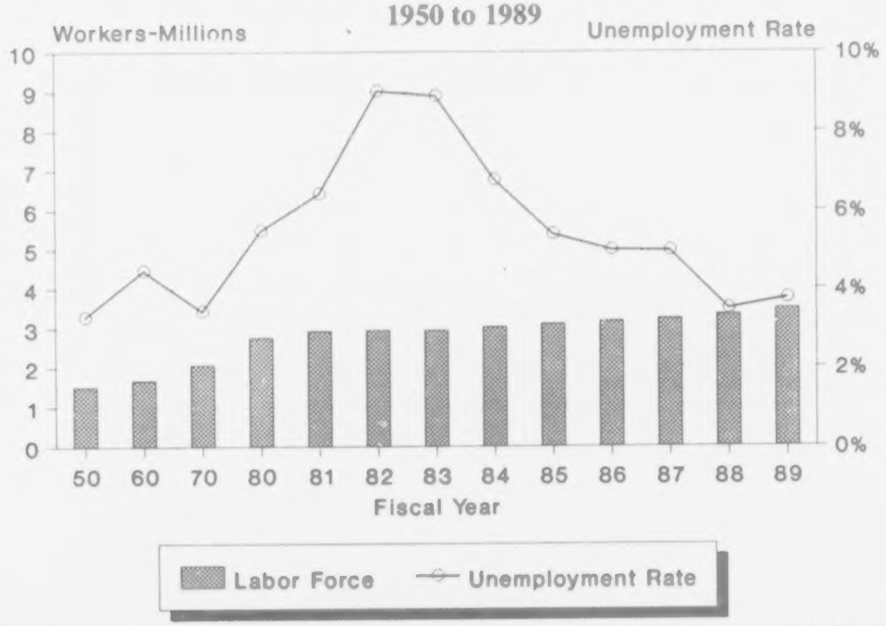


Sources:	[1] Population	U.S. Department of Commerce, Bureau of the Census N.C. Office of State Budget and Management
	[2] Per Capita Income	U.S. Department of Commerce, Bureau of Economic Analysis N.C. Office of State Budget and Management
	[3] Labor Force Data - As of June 30, 1989	N.C. Employment Security Commission

Table 16

North Carolina Civilian Labor Force Data [3]				North Carolina - Other Data		
Total	Employed	Unemployed	Unemployed Percentage Rate	[4] Public School Enrollment	[5] Motor Vehicles Registered	[6] Residential Construction Authorized
3,489,000	3,358,000	131,000	3.75%	1,068,800	5,549,129	12,946
3,343,400	3,227,000	116,400	3.48%	1,072,934	5,437,290	35,739
3,239,633	3,078,608	161,025	4.97%	1,073,524	6,060,939	29,629
3,175,000	3,017,000	158,000	4.98%	1,075,289	5,853,085	34,762
3,106,000	2,939,000	167,000	5.38%	1,123,425	5,845,623	35,045
3,031,000	2,826,000	205,000	6.76%	1,127,874	5,383,012	29,071
2,935,000	2,674,000	261,000	8.89%	1,135,157	5,160,488	23,701
2,940,000	2,675,000	265,000	9.01%	1,148,868	4,948,763	12,981
2,917,000	2,730,000	187,000	6.41%	1,170,894	4,655,675	10,760
2,759,197	2,607,925	151,272	5.48%	1,191,342	5,094,814	6,730
2,054,838	1,984,402	70,436	3.43%	1,217,024	3,218,292	(Data
1,680,442	1,605,478	74,964	4.46%	1,105,412	1,907,988	not
1,512,924	1,463,352	49,572	3.28%	893,745	1,171,228	available)

Civilian Labor Force Trends
With Unemployment Percentages
1950 to 1989



Sources: [4] Public School Enrollment - Final Average Daily Membership for the School Year September 1 to June 30 — N.C. Department of Public Instruction

[5] Motor Vehicle Registrations - For the Fiscal Year Ending June 30, 1989 — N.C. Division of Motor Vehicles

[6] Residential Housing Permits - Current Year for the Six Months Ended June 30, 1989; Prior Years for the Calendar Years Ended December 31 (data compiled for 45 cities and 72 counties in North Carolina) — N.C. Department of Labor

ANALYSIS OF REVENUES AND EXPENDITURES (BUDGETARY BASIS) ALL BUDGETED FUNDS ADJUSTED FOR INFLATION

For the Fiscal Years 1982-1989
(Expressed in Thousands)

	Fiscal Years Ended June 30					
	1989	1988	1987	1986	1985	1984
Inflation Index [1]	1.365	1.301	1.244	1.206	1.163	1.110
	Revenues and Expenditures Expressed in 1982 Dollars					
Revenues						
Tax	4,797,187	4,736,218	4,585,164	4,212,757	4,048,512	3,765,979
Non-Tax	380,854	413,121	383,784	395,434	387,437	371,381
Departmental	2,993,308	2,738,832	2,549,387	2,433,969	2,403,958	2,208,658
Total Revenues	8,171,348	7,888,170	7,518,335	7,042,159	6,839,907	6,346,018
Expenditures						
Current:						
General Government	200,325	162,464	139,748	134,144	131,430	118,669
Public Safety and Regulation	309,982	296,363	282,203	261,998	253,154	231,650
Corrections	236,484	212,683	204,963	193,996	186,643	175,243
Education	3,828,256	3,646,377	3,464,192	3,347,985	3,069,577	2,815,003
Transportation	922,281	932,019	835,204	809,116	817,861	727,588
Health, Welfare, and Rehabilitation	2,106,874	1,933,943	1,841,393	1,742,141	1,646,494	1,622,756
Resource Development and Preservation	264,208	284,273	266,721	280,488	267,356	229,289
Agriculture	40,450	39,065	39,617	38,616	35,595	34,166
Debt Service	52,480	56,804	51,386	60,915	65,415	71,360
Capital Outlay	189,490	132,953	239,189	210,152	182,749	53,882
Claims and Benefits	64,001	-	-	-	-	-
Budgeted Non-Cash Transactions	-	15	146	(6)	6	86
Total Expenditures	8,214,831	7,696,959	7,364,762	7,079,545	6,656,280	6,079,692
Excess Revenues Over (Under) Expenditures	(43,483)	191,211	153,573	(37,386)	183,627	266,326
	Percentage of Base Year 1982					
Revenues						
Tax	140.3%	138.5%	134.1%	123.2%	118.4%	110.1%
Non-Tax	114.9%	124.6%	115.8%	119.3%	116.9%	112.0%
Departmental	138.7%	126.9%	118.1%	112.8%	111.4%	102.3%
Total Revenues	138.3%	133.5%	127.2%	119.2%	115.7%	107.4%
Expenditures						
Current:						
General Government	162.3%	131.6%	113.2%	108.7%	106.5%	96.1%
Public Safety and Regulation	156.6%	149.7%	142.6%	132.4%	127.9%	117.0%
Corrections	147.7%	132.9%	128.0%	121.2%	116.6%	109.5%
Education	130.8%	124.6%	118.4%	114.4%	104.9%	96.2%
Transportation	143.6%	145.1%	130.0%	126.0%	127.3%	113.3%
Health, Welfare, and Rehabilitation	135.7%	124.6%	118.6%	112.2%	106.0%	104.5%
Resource Development and Preservation	157.6%	169.5%	159.1%	167.3%	159.4%	136.7%
Agriculture	120.7%	116.6%	118.2%	115.2%	106.2%	102.0%
Debt Service	84.8%	91.8%	83.1%	98.5%	105.8%	115.4%
Capital Outlay	614.0%	430.8%	775.1%	681.0%	592.2%	174.6%
Claims and Benefits	100.0%	-	-	-	-	-
Budgeted Non-Cash Transactions	-	0.2%	2.0%	(0.1%)	0.1%	1.2%
Total Expenditures	139.1%	130.4%	124.7%	119.9%	112.7%	103.0%

Note: "All Budgeted Funds" includes the general fund, departmental special revenue funds, and the Highway Fund.

[1] - Implicit Price Deflator - State and Local Government Expenditures

Source: U.S. Department of Commerce

Table 17

1983	1982
1.060	1.000
3,419,512	3,419,973
305,147	331,562
2,193,807	2,158,525
5,918,466	5,910,060
130,000	123,424
202,135	197,950
166,013	160,085
2,747,313	2,926,976
669,775	642,351
1,540,345	1,552,631
207,245	167,686
32,743	33,507
70,629	61,858
62,033	30,861
-	-
3,797	7,205
5,832,028	5,904,534
86,438	5,526
100.0%	100.0%
92.0%	100.0%
101.6%	100.0%
100.1%	100.0%
105.3%	100.0%
102.1%	100.0%
103.7%	100.0%
93.9%	100.0%
104.3%	100.0%
99.2%	100.0%
123.6%	100.0%
97.7%	100.0%
114.2%	100.0%
201.0%	100.0%
-	-
52.7%	100.0%
98.8%	100.0%

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